

LNG buyers “face” supply problems

Published: Friday, 23 June, 2006, 12:46 PM Doha Time

SYDNEY: Asian liquefied natural gas buyers may face “severe” supply difficulties this decade because of falling Indonesian exports and delays in new projects, said Chinese Petroleum Corp, Taiwan’s only gas importer.

Rising demand, buoyed by the start-up of import terminals in the US and the UK, is worsening the shortage, Jane Liao, head of LNG purchasing at Taipei-based Chinese Petroleum, said at a conference recently.

Production shortfalls in the Atlantic Basin may exacerbate the Asian deficit, said Leigh Bolton, director of a UK consulting firm.

Taiwan, the world’s sixth-biggest LNG importer, is increasing natural gas consumption to help cut emissions of greenhouse gases as the fuel produces less pollution than coal or oil.

Royal Dutch Shell’s \$20bn Sakhalin-2 LNG project in eastern Russia, BP’s Tangguh project in Indonesia and Chevron’s Gorgon project in Australia are among production projects in Asia running behind schedule.

“The market is really a mess, I would say it is going crazy,” Liao said June 20 at the South East Asia Australia Offshore Conference in Darwin. “It is going to be very tight because we don’t see too many new LNG projects coming in the future, but there are so many receiving terminals to be built.”

The imbalance between supply and demand may push up prices for spot cargoes, which may become increasingly linked to Henry Hub natural gas prices in the US, Liao said.

Indonesia, the world’s largest exporter of LNG, may ship 15% less LNG next year than it is obliged to under contract because of a decline in production from gas fields, Ari Soemarno, president director of state oil company Pertamina said last week.

Indonesia’s shipments from Bontang, the world’s largest LNG plant, have fallen short of contracted volumes this year, while Arun NGL has also missed deliveries.

LNG is natural gas cooled to liquid form, reducing it to one-six-hundredth of its original volume, for transportation by tanker to destinations not connected by pipeline.

On arrival it is converted back into gaseous form for delivery to users such as power plants.

Taiwan imported 7.15mn metric tons of LNG in 2005, up from 6.8mn the previous year. It has two long-term contracts to buy LNG from Indonesia and one from Malaysia, and signed a contract to buy fuel from Qatar last year.

“The buyers are really suffering from the shortage of supply from Indonesia,” Liao said. “All the buyers from Bontang are so uptight because it will be difficult to secure cargoes.”

Rising demand in the Atlantic Basin region, led by the US and Europe, means that market may match the size of the Pacific market by 2015, Bolton said. Europe and the US compete for the limited output from LNG plants, he said.

More LNG will be required from the Middle East to meet demand, while market “talk” cites interest from Atlantic Basin buyers in proposed new Australian projects, he said.

Australia, where as many as seven new LNG production or expansion projects are under consideration, may become the largest exporter of gas to Japan next decade, overtaking Indonesia, said Yasushi Tashiro, LNG Asia Pacific general manager at LNG Japan Corp, which imports about a quarter of the country’s LNG.

Australia was Japan’s third-biggest LNG supplier last year.

Petronet LNG, India’s first LNG importer, is seeking supplies from Australia to meet rising demand, S.C. Sharma, chief commercial officer, said at the conference.

GS Caltex, South Korea’s second-largest oil refiner which has government approval to start importing LNG in 2008, may also seek LNG from Australia, said Mark Symons, principal commercial adviser at GS Caltex’s LNG supply business unit.

“We don’t see any new projects coming from Indonesia, no new projects from Brunei or from Malaysia,” Liao said. “Australian LNG is the only hope for east Asian buyers.” – Bloomberg

Adapted from Gulf Times Newspapers