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Tightening LNG Markets In 2022-2023 Will Spark FIDs In 2017-2018

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Lower prices have been one reason for the delay in final investment decisions (FIDs) for LNG projects worldwide. The majority of FIDs in 2015 were for U.S. projects, hoping to take advantage of the lower prices to attract buyers.

At the start of 2015, FIDs were targeted on 98.8 million metric tons per year (MMmt/y) of capacity. However, FIDs were made on only 19.3 MMmt/y—Sabine Pass Train 5, Corpus Christi trains 1 and 2, and Cameroon floating LNG (FLNG).

In April 2016, there were 15 projects targeting FIDs in 2016 for a total capacity of 92.7 MMmt/y—six in the U.S., five in Canada, two in Mozambique, one in Equatorial Guinea and one in Indonesia, according to Andy Flower of Flower LNG, in “LNG Supply Outlook 2016 to 2030,” published by the Bureau of Economic Geology’s Center for Energy Economics at the University of Texas at Austin.

Projects targeting FID in 2016		
U.S.	Sabine Pass Train 6	4.5 MMmt/y
U.S.	Corpus Christi Train 3	4.5 MMmt/y
U.S.	Magnolia Trains 1 to 4	8 MMmt/y
U.S.	Jordan Cove	6 MMmt/y
U.S.	Elba Island	2.5 MMmt/y
U.S.	Lake Charles	15 MMmt/y
Canada	Pacific North West	12 MMmt/y
Canada	Woodfibre	2.1 MMmt/y
Canada	LNG Canada	12 MMmt/y
Canada	Douglas Channel LNG	0.6 MMmt/y
Canada	Goldboro LNG	5 MMmt/y
Mozambique	Coral FLNG	2.5 MMmt/y
Mozambique	Mozambique LNG	12 MMmt/y
Equatorial Guinea	Fortuna LNG	2.2 MMmt/y
Indonesia	Tangguh Train 3	3.8 MMmt/y
Source: BEG/CEE LNG Supply Outlook 2016 to 2030		

As Patrick Pouyanne, chairman and CEO of Total, noted in the company's 2016 Strategy and Outlook on Sept. 22, "There is still some room for sanctioning projects for between 2020 to 2025."

Since it takes about four years to build a liquefaction plant, FIDs made in 2017 to 2018 would be ready to take advantage of increased demand and potential lower LNG supply.

Anadarko Petroleum Corp. still expects to make its FID on the Mozambique LNG project by the end of this year. Construction could begin in 2017 or more likely 2018. It would probably take longer to build the greenfield plant in Mozambique because of the lack of industrial support, skilled laborers and infrastructure.

On July 11, LNG Canada delayed an FID, which was originally planned for the end of 2016, on the LNG project. In a press release, the joint-venture participants—Royal Dutch Shell Plc, PetroChina Co.

Ltd., Mitsubishi Corp. and KOGAS said, “In the context of global industry challenges, including capital constraints, the LNG Canada joint-venture participants have determined they need more time prior to taking an FID. At this time, we cannot confirm when this decision will be made.”

An FID on another Canadian project—Pacific NorthWest LNG—has also been delayed due to weakening demand in Asia and Europe. The Canadian government placed 190 conditions on the approval of the \$36-billion project.

Alta Gas cancelled its Douglas Channel FLNG plant due to unfavorable market conditions.

The Federal Energy Regulatory Commission denied the application for Veresen’s Jordan Cove facility in March 2016. Three other U.S. projects were cancelled—Lavaca Bay FLNG, South Texas FLNG trains 1 and 2, and Gasfin LNG.

“The success rate of FIDs in 2016 is unlikely to be better than in 2015, and it could be 10% or lower of the targeted total since all the projects in the table are struggling to secure binding commitments for buyers or off-takers willing to commit to a 20-year project,” Flower said.

The one exception is Kinder Morgan’s Elba Island LNG project, which has a 20-year contract with Shell. Construction on the plant is scheduled to begin in the third quarter of this year and be placed in initial service in 2018.



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