



Heren Global LNG Markets

Energy Prices | News | Analysis

Market Report

January spot prices are moving steadily up with Asian buyers in the market for cargoes, although Japanese demand is quiet. Traders are looking for backing in large-scale Egyptian and Pakistan buy tenders **2**

News

Feedgas concerns continue to loom at Atlantic LNG – CEO **9**
 Online platform LNG auctions met by trader scepticism **12**
 Focus **19**
 GLM Comment **21**

Prices & Data

Shipping costs and netback values **4**
 Charter rates and bunker prices **5**
 Global LNG tenders **6**
 Trades: ex-ship and free on board **7**
 Stocks **16**

Egypt third FSRU delay casts doubt on country's credit

Egyptian state energy company EGAS has delayed its tender process for a third floating storage and regasification unit (FSRU) by one month, according to a ship owner familiar with the process.

While some market sources believe that the requirement for a third FSRU to import LNG into Egypt remains strong, others say the north African country may be able to manage its imports using its two existing FSRUs.

"There is a tender process for the third FSRU and [awarding the tender] has taken more time than what [EGAS] originally had in mind," said the ship operator.

"[But] delays are not uncommon and there is definitely a need for a third FSRU in Egypt," said the ship owner.

However, a second market participant argued that Egypt's credit problems could be putting off prospective bidders.

Saudi Arabia recently announced an indefinite suspension of its April agreement to provide Egypt with 700,000 tonnes of refined

oil products per month for five years. The Gulf States have historically provided Egypt with economic support and aid, but the economy has not yet turned around.

Meanwhile, payment terms for Egypt's most recent short-term LNG cargo tender have been extended from 90 days to 120 days. "Saudi Arabia's withdrawal of economic support to Egypt is likely to affect the country's earlier indications and ability to honour promises to IOCs," said Claudio Steuer, director of energy consultancy SYEnergy.

"I think that the delay is down to some of the participating bidders getting cold feet," said the second participant. "Egypt will have the Zohr field developed in a couple of years time, so the delay could be a pause for thought from EGAS and tender participants. Could they choose to manage their imports on their two existing two FSRUs?"

EGAS in October issued a tender for 96-98 cargoes over 2017 and 2018, plus 12 cargoes that can be submitted as [Page 10](#)

GAIL cancels charter tender; could seek more cargo swaps

Indian state energy company GAIL has cancelled its time charter tender for nine LNG vessels after the final round bidders failed to agree to a clause that three of the vessels must be constructed in Indian shipyards, according to two ship brokers.

GAIL could reissue the tender without the India-build element, but is under some time pressure with 5.8mtpa of contracted LNG to lift from the US Sabine Pass and Cove Point plants from 2017.

Without vessels to lift these volumes, GAIL may swap more offtake than foreseen,

or hit the prompt charter market for vessels, said market participants.

Since September 2014, GAIL has issued Expressions of Interest (EOIs) to swap its contracted volumes from the US. The most recent EOI seeks to swap volumes from Sabine Pass between 2017 and 2018. The tender closed on 28 July 2016 but has not yet been awarded.

Now that GAIL has scrapped its vessel tender it may be incentivised to award more swap cargoes, said market participants. If unable to do this it could require four [Page 10](#)

SPOT DES PRICES					\$/MMBtu
Location	Dec '16	Week-on-week diff	Jan '17	Week-on-week diff	
EAX	7.300	0.150	7.400	0.200	
Japan	7.300	0.150	7.400	0.200	
India	7.200	0.300	7.250	0.250	
Spain	6.250	-0.530	5.880	-0.800	
Britain	6.088	-0.405	6.178	-0.395	
Argentina	6.550	0.000	6.650	0.000	

FORWARD GAS MARKETS: UK NBP (ICIS)						\$/MMBtu
	09 Nov 16	2 Nov 16	Change on week	09 Nov 15	Change on year	
Dec '16	6.342	6.764	-0.422	5.768	0.574	
Jan '17	6.435	6.847	-0.412	5.851	0.584	
Feb '17	6.451	6.875	-0.423	5.912	0.540	
Mar '17	6.106	6.608	-0.501	5.760	0.346	
Apr '17	5.765	6.063	-0.298	5.511	0.254	
May '17	5.504	5.771	-0.267	5.263	0.241	

FORWARD GAS MARKETS: US HENRY HUB (NYMEX)						\$/MMBtu
	09 Nov 16	2 Nov 16	Change on week	09 Nov 15	Change on year	
Dec '16	2.690	2.792	-0.102	2.300	0.390	
Jan '17	2.859	2.978	-0.119	2.449	0.410	
Feb '17	2.898	3.004	-0.106	2.480	0.418	
Mar '17	2.897	2.992	-0.095	2.479	0.418	
Apr '17	2.847	2.912	-0.065	2.446	0.401	
May '17	2.852	2.916	-0.064	2.478	0.374	

CONTRACT GAS MARKETS: (ICIS)			\$/MMBtu
	NW Europe Oil - Indexed	Japan Import	
December '16	5.726	7.129	
January '17	5.989	7.293	
February '17	6.002	7.589	
March '17	5.964	7.863	
April '17	6.019	7.839	
May '17	5.967	7.685	

PetroChina expands capacity in time for winter

Back to contents

State-owned major PetroChina is bringing on line new storage tanks at two of its three LNG import terminals in preparation for winter demand, according to an industry report on 8 November.

PetroChina started operations in the week ended 4 November at a 200,000 cubic metre (cbm) storage tank and pipelines connecting to the gas grid at its Rudong terminal in Jiangsu province.

The major has also increased the terminal's regasification capacity to 6.5mtpa, up from 3.5mtpa previously, according to a re-

port published by China Huanqiu Contracting & Engineering Corp, an engineering company under state-owned China National Petroleum Corp (CNPC). PetroChina is a subsidiary of CNPC.

This indicates the Rudong terminal has completed its second-phase expansion. Its storage capacity is now at 680,000cbm.

PetroChina is also testing a new storage tank at its Dalian terminal in northeast China. Dalian is expected to double its import capacity from 3.0mtpa to 6.0mtpa following the completion of tests.

Market sources in China told ICIS that the Dalian expansion should be ready in time to receive part of the spot supply state utility Beijing Gas purchased for delivery between December and February.

There was no update on PetroChina's third terminal in Caofeidian, Tangshan. The major said in early November it expects to increase its gas supply to China by 7% for the upcoming winter compared with a year ago. The bulk of supply is expected to be sourced from its onshore gas fields and LNG imports. xieli.lee@icis.com

GAIL cancels charter tender; could seek more cargo swaps

» Continued from page 1

or five vessels from the charter market to lift its volumes, said a shipbroker.

GAIL's newbuild vessel tender process has been reissued several times.

The key objection from bidders is a stipulation that three of the nine LNG vessels be built in India on a greenfield site which is seen as risky as there is no LNG shipbuilding track record in India and no vendor cluster.

According to sources, the two final bidding consortia were willing to proceed only if the India build element was removed.

GAIL launched its time charter hire tender for nine LNG vessels on 15 September 2015 for the third time. The previous two tenders were cancelled due to a lack of interest from bidding parties. The last bid called for nine LNG vessels in lots of three vessels each, of a cargo capacity of not less than 150,000 cubic metres (cbm) and not more than 180,000cbm, enabling GAIL to comply with its off-take commitments at Sabine Pass and Cove Point. josie.shillito@icis.com

Mexico Energy Report

The new ICIS Mexico Energy Report is the first English-language product focused exclusively on Mexico's energy landscape, with news, commentary and analysis on this dynamic emerging market.

Find out more by visiting the Mexico Energy Report page

Egypt delay casts doubt on country's credit

» Continued from page 1

options. If all of the cargoes are awarded, it could equate to around four cargoes each month.

"Two FSRUs can easily manage four cargoes a month with some smart scheduling for their existing volumes," said the second market participant.

Both FSRUs have the capacity to regasify the maximum volume of the current LNG cargo tender, said Steuer.

"But all the cargoes may not be awarded. EGAS could be awaiting the outcome of this tender before proceeding with the third FSRU," said the second source.

But the shipping operator pointed out that Egypt's financial outlook had improved, making plans to charter a third FSRU more credible.

A recent IMF loan of \$12bn gives the country some financial security (see *GLM 18 August 2016*) while the float of the Egyptian pound sends the signal to the international markets that Egypt can offer a real foreign exchange rate.

"[The float is] a major step forward which will increase interest from foreign investors to invest in Egypt again," said the source.

He added that there is no delay to the planned charter start date of the third FSRU of June 2017.

"There are at least a couple of companies with FSRUs available at the time it is needed in Egypt, and construction of the quay for the vessel will begin soon," said the ship owner.

Egypt has two FSRUs under five-year charter in Ain Sukhna; the *Hoegh Gallant* FSRU, provided by Hoegh LNG, which began operations in April last year, and the *BW Singapore*, provided by BW, which has been in full operation since October 2015.

Egypt was formerly an LNG exporter but rising domestic gas demand and a lack of domestic investment in gas production meant the country began importing LNG in 2015. Plans for increasing domestic gas production could turn the country back into an LNG exporter in the coming years.

Italy's Eni and UK-based BP have recently revealed plans to expedite the development of their recent gas discoveries off Egypt. The Zohr gas field discovered by Eni in the Mediterranean in 2015, could bring 75 million cubic metres/day of gas online by 2019. josie.shillito@icis.com

LATEST ICIS CHINA GAS NEWS

- China's gas output drops by 2.84% month on month in September
- Inner Mongolia expects government approval on new SNG project in 2017
- Yangquan Tianfu to build LNG plant in Shanxi in late 2016
- PetroChina expands Rudong LNG terminal capacity to 6.5m tonnes/year
- Jiangmen Guodian to build gas-fired DER project late 2016

Find out more about our China gas market coverage at www.icis.com/energy or get in touch with our sales team