Mena LNG demand prepares to take off

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London, 8 April (Argus) — The Middle East and North Africa (Mena) could significantly increase LNG imports over the next few years if regasification projects develop as planned, driven by rapid growth in gas consumption.

Jordan and Lebanon could become new LNG buyers within the next few years to replace lost pipeline supplies from Egypt, while Egypt, Kuwait and the UAE are looking for increased deliveries to meet rising gas demand in the power and fertiliser sectors. New projects in Jordan and Egypt will add nearly 9mn t/yr of new import capacity in the medium term, while planned terminals in the UAE and Kuwait could add a further 20mn t/y.

Jordan's import facility, a floating storage and regasification unit (FSRU), will arrive in May and port infrastructure is around 95pc complete, the government said. The country signed an initial LNG supply agreement with Shell last year for 1.1mn t/yr, or around 18 cargoes a year. Shell declined to confirm volumes or the start date for deliveries.

The FSRU, Golar LNG's 160,000m^3 *Golar Eskimo*, can import up to 7.5bn m^3/yr (5.2mn t/yr) and will be moored just south of Aqaba. The carrier was modified at the Keppel shipyard in Singapore in February and will load its maiden cargo in Qatar before heading to Jordan. It is scheduled to arrive on 25 May, the Jordanian government said — the shipping distance between Qatar and Jordan is around six days, according to Argus calculations.

Lebanon also plans to import LNG in the coming years, although its ambitions face political difficulties and a lack of domestic infrastructure, and remain uncertain. It is seeking an FSRU as the next step, but progress has been slow. And even if an FSRU is found and political and bureaucratic obstacles are overcome, construction would take around 18 months, meaning imports are unlikely to until before mid-2017. But the country is seeking around 1.2mn t/yr of LNG, rising to around 3.5mn t/yr by 2020.

Egyptian gas demand has risen sharply, while domestic production has steadily decreased forcing the country to cut pipeline deliveries to Jordan and Lebanon, and LNG exports from its two liquefaction plants. Egypt needs around 19.8mn m^3/d of gas to meet summer demand and has employed the 170,000m^3 *Hoegh Gallant* FSRU at the port of Ain Sukhna to import up to 3.65mn t/yr of LNG. The vessel loaded its commissioning cargo in Qatar and arrived in Egypt on 2 April.

Egyptian state-owned gas firm Egas has secured 90 LNG cargoes for delivery from this year — 55 from European trading firms Trafigura and Vitol, Algeria's state-owned Sonatrach and Noble Clean Fuels; and 35 from Russian state-controlled Gazprom over five years, from the second half of 2015. But the number of cargoes received this summer could be lower than Egas needs because financial problems at the company.

The Middle East's two existing LNG buyers are looking to increase spot purchases and have begun imports for this year. Kuwait has only a limited amount of incremental demand and its LNG storage capacity is limited, but imports will increase during the summer.

Kuwaiti state-owned oil company KPC signed six-year LNG supply deals in April 2014 for a combined 2.5mn t/yr with Shell (60pc of supply), BP (20pc) and state-controlled Qatargas (20pc). Kuwait will buy on the spot market to fulfil any shortfall. Sendout from the 5.7mn t/yr Mina al-Amadi terminal was expected to reach around 7.2bn m^3/yr during last year's April-September import season.

And state-owned KNPC approved in April a new $3.3bn LNG import facility at Al-Zour. Construction of the 15bn m^3/yr onshore terminal should begin by the end of this year with commercial operations from 2020, KNPC said. And the project will include more than 800,000m^3 of much needed storage capacity.

The country discussed longer-term supply deal with several major gas producers last year — including Gazprom — and plans to release a shortlist of bidders this year. Kuwaiti project-planning often faces delays because of political infighting and budget concerns, but the country is determined to pursue LNG imports.

The UAE imports LNG from Qatar through the 3mn t/yr Jebel Ali import terminal in Dubai, as well gas through the Dolphin pipeline from Qatar. Pipeline deliveries will cost around $1.46/mn Btu this year, while LNG is significantly more expensive — the Atlantic basin fob price for the May contract was $6.45/mn Btu on 7 April. But political tension between the UAE and Qatar has caused problems in securing additional Dolphin gas, which could lift LNG demand from the UAE. Around 2bn ft^3/d (20bn m^3/yr) is sent to the UAE and Oman through the Dolphin pipeline.

The planned 9mn t/yr Emirates LNG import terminal at Fujairah, a joint venture between Abu Dhabi state-owned investment firms Ipic and Mubadala, aims to meet UAE demand over the long term. The main engineering contractor will be awarded over the next few weeks. The UAE continues to export LNG from the 5.6mn t/yr Adgas terminal on Das Island. And the UAE has significant storage capacity, which provides flexibility to buy cargoes when they are cheaper, even if demand is only opportunistic.

Nearby Pakistan began importing LNG last week through a 4.5mn t/yr FSRU at Port Qasim. The country has supply agreement with Qatar, the terms of which have not been made public, and could require more LNG on a spot basis. The government already plans two further LNG terminals at Port Qasim. New Pakistani demand could affect dynamics in the Mena region if increased deliveries from Qatar to Pakistan reduce spot supply availability to new terminals in Mena. Pakistan's gas deficit is rising and could reach around 80bn m^3/yr by early next year unless new supplies are sourced. Domestic gas production is forecast to half to just 20bn m^3/yr over the next 10 years.

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