Singapore bolsters its LNG arsenal

Damon Evans
SINGAPORE

CONSTRUCTION is set to begin on a new storage tank and more regasification facilities at Singapore's liquefied natural gas (LNG) terminal later this year. The rapidly expanding terminal will see its send-out capacity almost double from 6 million to 11 million tonnes per year (t/y) by 2018, as the city-state seeks to establish itself as Asia's leading LNG trading centre.

The facility's new storage tank, its fourth, will be the largest in the world with a capacity of 260,000 cubic metres (cm). It will be able to store a full cargo from a Q-Max carrier – the world's largest LNG tanker, the terminal operator Singapore LNG (SLNG) said.

"With this phase three development, we are not just further enhancing energy security … we are also turning the next page of the Singapore LNG story, as we build up the terminal's capacity to allow Singapore to respond to new business opportunities in the LNG markets," John Ng, chief executive of SLNG, said.

The market for LNG spot trading in Asia is expected to grow over the coming decade as more LNG flows into the region from new suppliers in North America, as well as Australia, and new import terminals are built to handle the extra gas. Singapore's efforts to develop an LNG trading hub could help reshape the market dynamics of Asia's gas trade.

A matter of timing

The timing of Singapore LNG's expansion should coincide with analyst projections of a glut in global LNG supplies after 2016, which would create the right conditions for a trading hub to thrive. By 2016 more than 320 million tonnes of LNG production capacity is expected online, which far exceeds projected demand that year of 290 million tonnes.

SLNG's first priority is to shore up domestic supply. But it also hopes to capitalise on increasing liquidity in the LNG market by being the first terminal to offer open-access bidirectional LNG storage in the region. This, it hopes, will attract trade, which should improve pricing efficiency and boost its economy by encouraging LNG flows through Singapore.

In the past four years, around 20 gas trading desks have been set up in Singapore – only 10 fewer than the UK – as the city-state welcomes traders to store and re-export LNG.

Singapore sits at the heart of global sea trade routes, making it well placed to take advantage of the growing global LNG trade.

Still, Singapore's efforts are small relative to the size of the Asia-Pacific gas market, and there could be room for further growth. The country is connected to the big producers of the region – Indonesia and Malaysia – and a trading hub would have powerful effects beyond its borders.

SLNG has expanded its facility rapidly. The company began operating the terminal in 2013 with two 180,000 cm storage tanks and an initial throughput capacity of 3.5 million t/y. A third 180,000 cm tank and more regasification facilities were added in early 2014, boosting throughput to 6 million t/y, far exceeding BG Group's 20-year deal to supply Singapore with 3 million t/y for domestic use.

Singapore's Energy Market Authority (EMA) is seeking bidders to supply an additional 1 million t/y to help meet domestic demand but also to facilitate the development of an LNG trading hub, it said in June. The EMA plans to appoint two importers under a three-year franchise agreement to supply LNG to Singaporean buyers, added the EMA.

Big plans: Singapore is set to be a big player in the LNG market

SLNG's master plan allows for an eventual average throughput capacity of 15 million t/y and storage of 1.5 million cm. The terminal includes two large Q-Max jetties – which will allow Qatar's jumbo 260,000 cm capacity tankers to dock – as well as a third jetty built to handle smaller regional tankers.

The government-owned operator envisages a break-bulk model, meaning jumbo cargoes could be shifted onto smaller regional tankers in Singapore for delivery to multiple destinations, with the balance stored in SLNG's tanks.

This would be particularly beneficial to fully laden Q-Maxes that cannot reach many ports in North Asia.

The benefits of LNG stored in tanks with third-party access would be significant too. Now, if Japan, the world's biggest buyer of LNG, needs spot cargoes during a cold winter season, it takes about 45 days to arrange a shipment, but if Singapore has gas in storage it would only take about 10 days.

The hub will also help the backhaul market evolve. After unloading the gas, there is potential for Q-Maxes to pick up cargoes from Indonesia or Australia, instead of returning empty to the Middle East, via India, Asia's fourth-largest LNG buyer.

The trade for Qatar's Q-Max ships, the largest LNG tankers in the world, has not really taken off, but given a central point like Singapore, there is no reason it cannot.

An expected increase in supplies towards the end of this decade mean developers are seeking more flexibility when they sell their gas. The extra volume means LNG won't all be sold on long-term contracts or equity plays, mainly because buyers have more choices.

Chevron's Gorgon LNG export scheme, under development in Australia, is a case in point. The project, expected to start-up in mid 2015, has so far locked in buyers for 65% for its share of capacity, much less than the 85% target it would like.

Last year, more than 73 million t/y of LNG was traded on a spot or short-term basis, slightly more than 30% of the global LNG trade – estimated at 240 million tonnes. ●