

China urges LNG industry to deepen collaboration



Chinese industry players say LNG will continue to face competition from other fossil fuels and renewables if the industry cannot work together on commercial challenges

LNG's potential to become Asia's dominant fuel, as the region transitions away from coal to cleaner energy, will only be realised if the industry can work together to lower costs and overhaul trading conditions, senior Chinese energy officials said at the opening sessions of LNG2019 in Shanghai.

A series of speakers from Chinese national oil companies (NOCs) and senior politicians, including Shanghai mayor Ying Yong, underlined the important role LNG has played in China's efforts to fight pollution and meet 2020 climate goals. But each also echoed the same concerns over the fuel's future trajectory.

"Competition from pipelines and renewables is fierce, costs

are still high, and the large scale of the natural gas system is causing bottlenecks”, says Yang Hua, chairman of Cnooc. “Some LNG suppliers insist on traditional methods of duration and pricing, and resolution of this will require a joint effort”.

China, particularly its coastal areas, is a good example of how quickly LNG uptake can accelerate. Last year 21 receiving terminals imported LNG to help power the country’s towns and cities, drawn from a diverse portfolio of 25 countries.

The country is also expanding its LNG import and distribution infrastructure. The ministry of transport plans to quadruple the country’s import capacity within the next two decades from its 21 terminals with 2.86tn ft³/yr (or 221.7mn m³/d) capabilities to 34 terminals with over 11tn ft³/yr (or 852.9mn m³/d).

But as the LNG industry targets further expansion into emerging markets in south and southeast Asia, the speakers said lessons also need to be learned from China’s experience.

“LNG demand growth may be subject to price constraints – only acceptable LNG prices lead to sustainable growth”, says CNPC chairman Wang Yilin. “Flexibility in trade needs to be strengthened, as more flexible contractual terms will lead to greater liquidity. Suppliers and vendors must jointly support innovation to promote the stability of the market.”

Yong also highlighted the importance of LNG to his city of 24mn people, with the same caveats over future growth. “For a long time, LNG was constrained by the high cost of its storage and transport. A global LNG market has yet to form and the pricing mechanism does not reflect fundamentals yet,” says Yong. The LNG industry needs to work together to reduce costs and improve its competitiveness against other fuels, the mayor adds.