

GECF contributes to 60% of global pipeline, 54% of LNG trade



Doha-headquartered Gas Exporting Countries Forum (GECF) is now contributing to 60% of global pipeline trade and 54% of the global LNG trade, which, according to its secretary-general Yury Sentyurin, “is a dominant position” in terms of market share.

Over the last 50 years, LNG industry has been evolving significantly regarding markets, trade, and capacity. The rapid evolution of the LNG industry has brought new market dynamics.

“GECF producers have already proven their credibility and reliability backed by the numerous years of experience and expertise in the industry, with cost effective supplies providing them a competitive advantage over the new comers to the LNG business,” Sentyurin told Gulf Times in an interview. In terms of liquefied natural gas, GECF LNG exporters could compete with new non-GECF LNG projects in terms of prices,

historical commercial relationships, access to the markets, and the competitive advantage of first movers.

“Likewise, at GECF we are emphasising co-operation and co-ordination with all market stakeholders, as a key to gaining efficiencies and reducing trading costs. Similarly, it is important to bring down production costs investing in new technologies and innovation to create new LNG markets,” Sentyurin said.

On the other hand, in addition to the 60-plus million tonnes per year (mtpy) of LNG capacities under final investment decision process, the GECF member countries took FIDs for gas pipeline projects, where the forum expects an additional gas pipeline capacity of 140.5 bcm between now and 2020.

As an indication, the secretary-general pointed out the new gas pipeline exports capacity from GECF to Europe and China represents 19% and 16% of their respective current gas consumption.

On the impact of flexible LNG supply (with not destination clauses) on the market, the GECF secretary-general said, “First of all, flexibility is not only on the molecules of LNG produced with significant cost to move from the production place to the market, once in the hands of the trader who has only operational expenditure (OPEX) to recover.

“Flexibility is rather in the availability of the supply whenever there is a demand for it, and the ability of this supply to reach any market, under the contractual terms and conditions binding the seller and the buyer. This is what GECF member countries have been guaranteeing to the markets in a sustainable manner, comforting their concern over the security of supply.”

In addition, he noted the bulk of LNG supply, around 80%, is still under long-term contracts and most of it is with destination clauses. The so-called “flexible” LNG without destination clause is still small.

“In our opinion, more “flexible” LNG would likely represent an increase in available volumes traded on the spot markets. Such “flexible” LNG coupled with increasing liquefaction capacity

triggered the appetite of a number of consuming countries to establish LNG trading hubs, particularly in Asia, such as Singapore, China and Japan.

“Such initiatives are at embryonic stage and the major conditions for such hubs to see the light are still not gathered,” he said.

Regarding the long-term contracts and destination clauses, Sentyurin said, “It should be reminded that, as far as the long-term contracts and/or destination clauses are concerned, shifting away from them, does not necessarily reduce the prices of natural gas, but create more volatility on the market.” Contrarily, he said the advantages of long-term contracts have been proven resilient to support a resilient supply to the respond to the needs of the market, through guarantee of sufficient investments in gas industry.

The post oil price drop of 2014 witnessed a considerable decline in investment in oil and gas industry, with 30% decline in new LNG projects, he added.