

Germany's costly LNG terminals aren't paying off as imports dip



Germany spent big on liquefied natural gas (LNG) terminals to ensure energy security, but the high cost of using them means they're bringing in a tiny fraction of its gas needs.

Only about 8% of Germany's total gas imports last year came via its shipping terminals in Wilhelmshaven, Brunsbüttel, Lubmin and Mukran, according to energy regulator Bundesnetzagentur.

"German terminals are more expensive to deliver to than the rest of northwest Europe," said Qasim Afghan, a commercial analyst at Spark Commodities Pte Ltd. On average, variable regasification costs in Germany for cargo delivery in February are 86% higher than other such facilities in the region, he said.

That's because it's more expensive to operate floating import terminals, especially in the winter. Also, fuel gas losses, associated with power consumption needed for the process of turning LNG back to gas, are higher in Germany than elsewhere, Afghan said.

As a result, Germany has the most regasification prompt slots available for purchase in Europe, "highlighting unused capacity that is likely not economically viable."

When the nation accelerated the construction of these floating facilities in 2022, to help wean off Russian gas, the ambition was to be able to keep energy costs in check. However, the expensive terminals are now adding to the already high gas prices and compounding the pain for Germany's energy-intensive economy. This has led some environmental groups to demand that the expansion of such infrastructure be halted.

Ship-tracking data compiled by Bloomberg show that Europe's biggest economy imported 4.8mn tons of the super-chilled fossil fuel last year. That's a marginal decline year-on-year and far less than what neighbouring nations are importing.

The Economy Ministry says it primarily views the terminals as a way to ensure a sufficient safety buffer.

"Of course, this can mean that there may be lower capacity utilization if demand is not so high, but this cannot be the benchmark for a federal government that has to guarantee security of supply," a ministry spokesperson said.

The total cost estimate for the nation's state-run LNG terminals – including those in the pipeline – is now likely to be around €5bn. That's half of what it was initially pegged at, she added.

State operator Deutsche Energy Terminal said imports via its units in Wilhelmshaven and Brunsbüttel remained steady at 59 terawatt-hours. It also successfully marketed all three slots

in December for the two units and aims for a new capacity auction at the end of the month, a spokesperson said.

Deutsche Regas, the operator of the Mukran terminal on the island of Rügen – also Germany's only privately operated one – didn't respond to a request for comment.

More facilities are set to open later this year, including Stade near Hamburg and Wilhelmshaven II.

Planning more units despite the low utilization is "absurd," Sascha Müller-Kraenner, managing director of German Environment Action, said in a statement, calling for an end to the infrastructure expansion.