

New U.S. LNG projects, enough to double exports, on verge of launch



LONDON (Reuters) – New U.S. liquefied natural gas terminals with enough capacity to double U.S. exports have either begun commissioning their facilities or are waiting for approval from the energy regulator, a review of their documents showed this week.

Although long planned, the actual commissioning of plants has been a moving target in the past.

Yet the process not only kicks off a new era for the global industry as the United States turns into a significant exporter. It also opens the taps for large volumes to hit the spot market before long-term commercial contracts are formally triggered.

The ramp up of U.S. LNG production comes just as U.S.

President Donald Trump boasts of his country's energy dominance across the world stage but may also hit a wall of Chinese tariffs set on the super-chilled fuel earlier this week.

Activity at five terminals dotted mainly on the U.S. Gulf Coast means some production will start ahead of schedule with two or three plants producing their first cargoes this year, one as early as November.

Analysts now estimate anywhere between 1.0 and 2.5 million tonnes of LNG will hit the spot market in the first quarter of next year, a significant amount in an industry still dominated by rigid multi-year supply contracts.

While China is the second largest LNG importer in the world, its purchases of U.S. cargoes is low at 5 percent of the total it buys. Japan and South Korea are the other top importers.

Based on regulatory filings and analysts' forecasts, the first LNG is expected in December from Kinder Morgan's Elba Island and Cheniere Energy's Sabine Pass train 5, and in the second quarter from Sempra's Cameron terminal and Freeport LNG's terminal.

Additionally, the pace of Federal Energy Regulatory Commission (FERC) approvals for Cheniere's Corpus Christi plant surprised the industry last month with Wood Mackenzie now seeing first LNG from the Texas terminal as early as November.

"We see somewhere between 2.0 to 2.5 million tonnes of additional U.S. supplies in the first quarter," said Trevor Sikorski, analyst at Energy Aspects. "We think probably, most of the 2.5 million will be put into the spot market."

Spot market volumes are not recorded but industry group GIIGNL calculates around 77.6 million tonnes, or 6.4 million a month, were traded on spot basis or in short-term contracts last year.

U.S. exports, at 15 million tonnes so far this year, have exceeded last year's of 14.3 million tonnes, according to Thomson Reuters data. U.S. capacity has been 23.3 million tonnes a year (mtpa) since March when the second LNG terminal in the country, Dominion Energy's Cove Point, came online.

DOUBLING EXPORTS

Cheniere, Sempra, Kinder Morgan and Freeport told Reuters their timetable for start-ups remained unchanged from their latest announcements.

The four new terminals and one extension will come onstream in stages over the next two years and at capacity they will constitute 60 percent of new supplies expected to be added to the global market by 2023. The first trains and one extension alone have a capacity of 19 mtpa.

Commissioning U.S. energy facilities involves a back and forth process with FERC which reviews and approves many stages of the start-up. The last major milestone before production is FERC's approval to inject feedgas that gets chilled into LNG.

Cheniere's Corpus Christi Train 1 and Sabine Pass Train 5 both received that FERC approval in recent weeks. At 4.5 mtpa each, the trains add 9 mtpa to U.S. capacity.

Privately-held Freeport LNG has been given permission to commission utilities at its 5 mtpa Train 1. It pushed back the start date of commercial activities to September 2019 leading traders and analysts to expect LNG exports to start in May.

Sempra has filed all its pre-commissioning documents for Cameron Train 1, with capacity of 5 mtpa, allowing it to move ahead with initial commissioning.

Kinder Morgan appears to be the furthest behind in the regulatory approval and commissioning process, the filings show. But traders say its modular design with much smaller

units of 0.25 mtpa each means an initial cargo is possible this year.