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ENABLERS & DISRUPTORS GET BUSY

Sustaining Momentum is Vital

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LNG IS ONE OF THE MOST lucrative commodity stories of the century. Questions over whether the current surge in renewables could invalidate the billions of US dollars being spent on upgrading gas and LNG infrastructure are erroneous, albeit understandable. Whispers in 2017 of a global recession turned into talk in 2018, not helped by the International Monetary Fund’s (IMF) recent pull back on its global growth for the second time in a matter of months. Combine this with uncertainty over the oil price and views that the risk-reward balance of today’s major foreign direct investments (FDI) in energy infrastructure are imbalanced are valid. But not for LNG; the market has successfully positioned itself as an integral player in the global energy transition towards a lower carbon world. It has emerged as the affordable and sustainable bridge between traditional and new energy projects – fossil fuels and renewables – that are both integral to energy security in the Middle East and beyond. Global LNG trade alone increased from 100 million tons in 2000 to nearly 300 million tons in 2017, according to Shell. In the Middle East, gas and renewables together contribute 78% of incremental energy demand up to 2040, with natural gas demand rising by 55%, according to BP Outlook. China has taken the lead in LNG demand, with imports growing by 45% in 2017 to 38 million tons. Early estimates suggest it may have reached 52 million tons in 2018, according to Wood Mackenzie. This is very good news for leveraging the historic ties and track record of reliance that Qatar, the world’s biggest LNG exporter, enjoys with Asia. It remains to be seen how much weight China will put on demand for LNG imports from the Middle East and the depth of concerns over China’s economic slowdown. As always, context is essential for China is hardly pleading poverty. The country will post 6.3% growth in GDP this year, one of the highest levels worldwide, according to the IMF. Comparatively, the UAE’s GDP growth is expected to be 2.8%, Kuwait is 2.5% and Saudi Arabia is 1.8%. Clearly, China’s demand is a relatively safe bet for Middle Eastern exporters this year.

LNG supplies via floating storage and regasification units (FSRUs) will also be paramount in keeping the lights on in the Middle East – literally. Power capacity in the Middle East and North Africa (MENA) must expand by an average of 6.4% each year between 2018 and 2022 for energy security. This corresponds to an additional capacity of 117GW at a price tag of at least $152 billion, detailed Saudi Arabia-based Apicorp. The adage of ‘build it and they will come’ does work; the Port of Fujairah opened in 1983 and is already the world’s second biggest bunkering hub. So, what are the top three ways to optimize LNG and gas infrastructure in the Middle East by 2025? Respondents to a Middle East LNG Institute Industry Survey said access to regional LNG and gas infrastructure in the Middle East – literally. Power capacity in the Middle East and North Africa (MENA) must expand by an average of 6.4% each year between 2018 and 2022 for energy security. This corresponds to an additional capacity of 117GW at a price tag of at least $152 billion, detailed Saudi Arabia-based Apicorp. The adage of ‘build it and they will come’ does work; the Port of Fujairah opened in 1983 and is already the world’s second biggest bunkering hub. So, what are the top three ways to optimize LNG and gas infrastructure in the Middle East by 2025? Respondents to a Middle East LNG Institute Industry Survey said access to regional pipelines (35%), greater coordination at the UAE/GCC level (35%) and more short-term contracts (30%) are key. Falling behind on such plans will put the Middle East – bar Qatar – on the back foot in the global LNG market. The key message? Sustain momentum.

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All Aboard?

One of the major and fastest growing applications of LNG and its role in helping decarbonize the energy sector is in mobility – both on land and sea. Appetite for LNG for long and short haul transport has been growing, and the industry will rise in the 2020s, as will demand for LNG bunkering. In response to the International Monetary Organization’s (IMO) new sulfur limit of 0.5%, down from 3.5%, which starts on the 1 January 2020, LNG bunkering has many pros; it has a negligible sulfur content, generates less NOx and CO₂, and it is cheaper than compliant fuel oil. This is especially pertinent against a background of soaring costs; Goldman Sachs expects the total impact of IMO 2020 to cost consumers $240 billion. The global LNG shipping fleet saw its biggest expansion in 2018, with the delivery of more than 70 new LNG carriers of more than 8 million cubic meters, versus 4.1 million cubic meters in 2017, said SAP Global Platts. But this is only the beginning. Why not have marine fuel stations in the middle of shipping lanes to ease traffic and costly infrastructure demands at ports? Taking the lead on such ideas that can radically shift the metric of flexibility and security would reinforce many Gulf countries’ National Visions to become globally competitive and knowledge-exporting economies.