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Equatorial Guinea widens ‘megahub’ to tap Cameroon, Nigeria feedgas for EG LNG

The government of Equatorial Guinea has widened the ambition of its natural gas “mega hub” concept to monetise stranded assets in the Gulf of Guinea at the EG LNG plant on Punta Europa, by potentially extending the reach into neighbouring Nigeria and Cameroon. The move, if successful, could mark a world first for gas resources from one country being liquefied and exported as LNG from another nation – although projects elsewhere are further ahead in the race to achieve this accolade.

The EG government this week said its gas mega hub “could open up economical avenues to monetize offshore gas in Cameroon and Nigeria” as well as those lying within EG’s own maritime territory.

The widened scope was revealed by the EG Ministry of Mines and Hydrocarbons (MMH) as it awarded a contract for the development of a “gas master plan” to underpin the hub to commercial and management consultancy Gas Strategies – publisher of Gas Matters Today.

Under the development, Punta Europa is set to become a gas processing centre for stranded gas fields in the Gulf of Guinea – including Cameroon and Nigeria, the ministry said in a statement on Tuesday.

“The new Gas Master Plan represents an important step towards the realization of this vision, and will help in accelerating and coordinating offshore gas developments, which could eventually lead to the construction of additional liquefaction capacity on Punta Europa,” it added.

The most advanced cross-border LNG project is the Tortue floating LNG development that straddles the Senegal-Mauritania border. That project was recently delayed by a year until 2023.

In Mexico, Semptra hopes to take a final investment decision (FID) on the 2.4 mtpa Energia Costa Azul (ECA) LNG project in the coming weeks. ECA LNG will liquefy US shale gas on Mexico’s Pacific coast, potentially from 2023.

Less advanced plans have been discussed for Bolivian gas to be piped to Argentina, where it would be liquefied at a large scale greenfield onshore LNG project.

Coordinated approach

Previous individual efforts to monetise gas resources offshore EG have stalled, but are being revisited under a coordinated regional hub plan. Ophir’s Fortuna floating LNG project was scrapped when it failed to raise sufficient finance to get off the drawing board before the upstream licence was revoked.

A pipeline from Fortuna to Punta Europa to back-fill the 3.7 mtpa EG LNG liquefaction facility was deemed not to be cost-effective at the time of the Fortuna discovery, and FLNG was seen as a quicker route to market. But with FLNG no longer proceeding and the Alba field that feeds EGLNG now nearing

production decline, a pipeline could emerge as the preferred option as part of a hub plan.

The first element of the hub is already taking shape. Noble Energy sanctioned its Alen gas project in April 2019, which will see a 70 km pipeline built to connect the resource to Punta Europa on Bioko Island. Other resources offshore Nigeria and Cameroon are seen as potentially viable contenders thanks to their proximity to the island – home to Malabo, the capital of EG.

Nigeria and Cameroon also remain part of EG's participation in the wider LNG2Africa initiative to create new markets for African LNG across the continent.

Moreover, EGLNG – which shipped its first LNG cargo in 2007 – will need to refresh both its feedgas supply and downstream customer base. EGLNG's sole long-term FOB offtake agreement with Shell, for 3.4 mtpa, expires in 2024, according to GIIGNL.

New lease of life

EGLNG is not the only mature liquefaction facility in this situation. Nigeria LNG recently re-contracted several expiring LNG offtake deals from its first six trains after striking a major upstream feedgas deal last October. And in Trinidad and Tobago, the government is drawing up its own plan to plot the next steps for the ageing Atlantic LNG plant.

Recalibrating ageing LNG plants presents challenges and opportunities in today's market, which has changed considerably since they first took final investment decisions.

Global gas and LNG prices are at record lows and significant uncertainties weigh on the gas demand outlook, but fully amortised liquefaction infrastructure has a distinct cost advantage over newbuild projects – many of which are struggling to progress in the current climate.

If the investment hiatus in LNG capacity is prolonged and the world sees a strong post-pandemic economic recovery driving global energy demand, the global LNG glut could snap back into deficit in the mid-2020s, some analysts say – with potentially significant upside for prices. - SK



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