Gas Strategies
Information Services

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Investment lockdown: LNG supply projects seek exit strategies

2019 saw a record level of final investment decisions (FIDs): six new projects, with a combined capacity of 71 mtpa, were sanctioned. And it looked like there might be more to come, with projects with a further 190 mtpa of capacity saying that they would take FID in 2020-21. That has all now changed.

An unprecedented collapse in global energy demand, combined with the ongoing supply glut in LNG markets and the crash in oil prices, have made it unlikely – with the possible exceptions of Qatar and the smaller, Costa Azul plant in Mexico – that we will see any FIDs in 2020. This investment drought may well extend into 2021.

By choking off what was developing into a new cyclical wave of investment, the current crisis may have saved the LNG industry from a more extreme glut in the 2025-26 timescale. But what will happen to all the projects that were planning imminent FID? Some may be killed off entirely, but most will be put into some sort of suspended animation, hoping to re-emerge in better times.

Of course, it will not be simply a question of taking projects off the shelf, dusting them off and carrying on as before. The LNG industry is likely to emerge from the current crisis with different assumptions about the future than previously. Commercial structures and deals that looked good before the crisis may not look so good in the post-crisis world. Ultimately, the current crisis my not only delay, but also transform projects.

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