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Sabine Pass could take first LNG import since 2015 as ‘American premium’ widens

The first major LNG export plant in the US Lower 48 states could import its first LNG cargo since 2015 in the coming weeks. An LNG carrier currently at the Zeebrugge terminal in Belgium is expected to arrive at Cheniere’s Sabine Pass LNG plant on 12 June, data compiled by the Belgian port authority shows. The move comes amid a strengthening ‘American premium’ over European gas prices, which has seen the US emerge as a premium market for LNG imports, prompting mass US LNG cargo cancellations.

The British Diamond LNG carrier, which uploaded a cargo from Trinidad and Tobago at the Dunkirk LNG terminal in France earlier this week, is currently at Zeebrugge and is set to arrive at Sabine Pass in two weeks’ time, according to the Belgian port authority. However, data does not currently show if the vessel will be reloaded at Zeebrugge and sent to Sabine.

The arrival of a laden British Diamond would mark the first LNG delivery into Sabine Pass since the terminal achieved first LNG exports in February 2016, with the last cargo imported into the facility in November 2015 – assumed to be a cool-down/commissioning cargo – data compiled by the US Department of Energy shows.

LNG imports into the Everett terminal in the north-east state of Massachusetts are commonplace due to the region’s limited interstate pipeline supplies. But LNG imports into the US Gulf coast have all but dried up after several terminals were converted into export facilities to take advantage of cheap shale feed gas and export it to higher priced markets in Europe and Asia.

The last time a US Gulf coast imported LNG was in October last year when the Elba Island facility in Georgia imported a cargo, DOE data shows. This might have been a cool-down cargo required during commissioning, as the facility shipped its first LNG in December and has not imported LNG since.

With EU gas prices plummeting, the US is now a premium market for LNG imports. US gas price benchmark Henry Hub continues to rise due to falling production of predominantly associated gas following the crude price crash in March.

Meanwhile, prices in Europe have cratered as demand has waned due to the Covid-19 pandemic, with Europe’s high inventory levels at gas storage facilities – expected to hit tank tops in July or August – weighing further on prices.

June-dated UK NBP and Dutch TTF continued to fall on Thursday [1], settling at the equivalent of USD 1.03/MMBtu and USD 1.14/MMBtu, respectively. Henry Hub hit USD 1.83/MMBtu on Thursday, meaning the premium over NBP and TTF was USD 0.80/MMBtu and USD 0.69/MMBtu, respectively.

Against this backdrop, US LNG cargo cancellations are mounting. This week feed gas deliveries to US LNG plants average 5.6 Bcf/d – the lowest level since October last year, despite 2 Bcf/d of baseload of

new liquefaction capacity commissioned over the period, according to the US Energy Information Administration (EIA).

US cargo cancellations could be as high as 20 in June, according to the EIA, however some traders expect up to 35 cargoes to be culled next month. Cancellations are expected to continue throughout the summer, with reports suggesting 45 cargoes from the US could be cancelled in July.

LNG exports from the US hit a monthly record in January this year when 74 cargoes were shipped. The volume has fallen to 61 in April, with 40 shipped from 1-24 May – amounting to an estimated 5.8 Bcf/d of LNG exports, according to the EIA.

In its short-term energy forecast published earlier this month, the EIA said it expects US LNG exports to fall to 4.82 Bcf/d in Q3'20, increasing to 5.58 Bcf/d in Q4'20. In comparison, the US LNG exports hit 7.92 Bcf/d in Q1'20.

Despite falling exports, US liquefaction capacity will continue to increase this summer as a third train at Cameron LNG is expected to enter service and trains 8-10 at Elba Island are due to come online.

Combined with the third train at Freeport LNG, which started earlier this year, the ramp-ups will add 2.7 Bcf/d of new capacity, taking total US liquefaction capacity to 8.9 Bcf/d baseload (10.1 Bcf/d peak), according to the EIA. - ET

Photo: Cheniere

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