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Catching the last train: Liquefaction projects face zero-carbon event horizon
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Despite record low prices, major reductions in output from US facilities and a near complete halt on new final investment decisions (FIDs), the LNG industry emerged from the uncertainties of 2020 in a surprisingly upbeat mood. Demand was much less impacted last year than previously feared, and most forecasters are now foreseeing a period of strong future demand growth, as Asian countries accelerate the switch from coal to gas.

But 2020 also saw net zero emissions (NZE) targets announced by the top three LNG importing countries, Japan, China and South Korea, adding to the EU's existing NZE target. On the back of these announcements, these countries will – inevitably, it seems – start moving away from gas and LNG and, at some stage, reach a point of 'peak LNG'. Given a construction time of up to five years, and a conventional 20-year term for the offtake contracts, such a peak may well occur in the commercial lifetime of the cluster of projects currently positioning for FID.

At the least, the NZE announcements put a somewhat different complexion on the investment case for future LNG projects. In the extreme, they could bring into question whether it is possible, in so capital-intensive an industry as LNG, to ramp up production relatively quickly only to then see capacity utilisation drop away as gas is progressively phased out.

How exactly countries will manage their paths to NZE is very difficult to predict at the moment, but it is clear that investors in any post-Covid LNG wave are likely to be asking questions, if they are not already, about the lifetime of new liquefaction assets. With the possibility of just such a wave of LNG investment starting to be mooted, these are questions that need to be addressed now.

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