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What is green worth? – Corporate goals impel LNG producers to cut emissions
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Gas Strategies Group

10 Saint Bride Street
London UK
EC4A 4AD

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T: +44(0) 20 7332 9900
W: www.gasstrategies.com
Twitter @GasStrategies

Editorials

+44(0) 20 7332 9957
editor@gasstrategies.com

Subscriptions

+44(0) 20 7332 9976
subscriptions@gasstrategies.com

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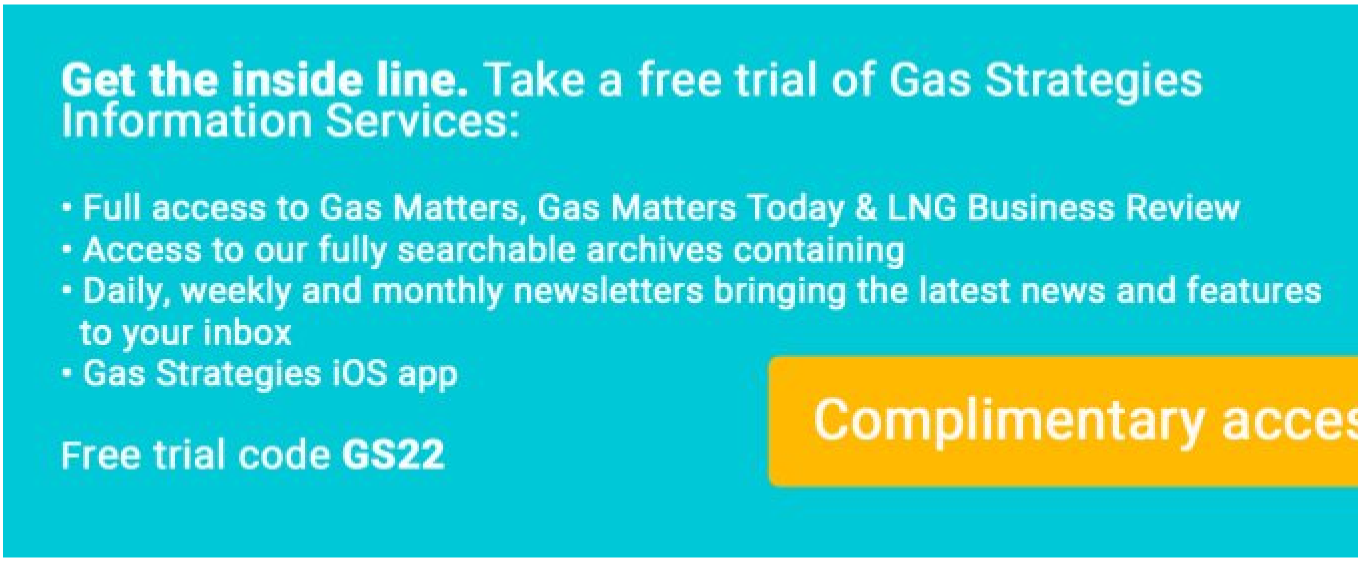

[1]

The enthusiasm for ‘green’ or ‘carbon-neutral’ LNG produced by offsetting the emissions along the LNG value chain appears to have subsided in the time since LNG Business Review last reported on this topic in depth. Attention has turned instead to the actual reduction of the emissions that are produced in the production and transport of LNG, which many in the industry see as a positive switch. Most new projects seeking to take final investment decision (FID) now incorporate some element of emissions reduction, such as plans for carbon capture and storage (CCS).

However, such measures add to the investment cost, which raises the question of the economics of investments to reduce greenhouse gas (GHG) emissions at a time when LNG capital costs seem to be escalating. One theory is that buyers will be prepared to pay more for LNG with a lower GHG footprint, while another is that carbon tax or carbon price regimes will provide the incentives. But neither of these propositions seem to apply in today’s market, leading, in turn, to the question of whether these emission-reducing add-ons will actually be made in the near future, or whether they will be postponed to the time when a clearer economic benefit can be shown.

One factor gaining in importance is the corporate emissions targets that energy companies, particularly the oil and gas majors, have set themselves to preserve their licence to operate. But will these corporate commitments be enough to push a significant reduction in emissions?

Gas Strategies

Consulting

+44 (0) 20 7332 9900
consult@gasstrategies.com

Alphatania Training

+44 (0) 20 7332 9910
training@gasstrategies.com

Information Services

+44 (0) 20 7332 9976
subscriptions@gasstrategies.com