# New pipeline could limit Rio de Janeiro LNG demand

**The completion of** a Brazilian cross-country pipeline could reduce demand for LNG in Rio de Janeiro this year, potentially allowing state gas company Petrobras to charter out one of its floating storage and regasification units (FSRU), company executives told ICIS Heren this week.

The 1,387km Gasene pipeline, which would allow gas to be shipped from Catu in Bahia state to Rio de Janeiro, is due to come online in March.

"Our LNG project included since its inception the option to charter out one of the FSRUs at a point in time when certain conditions are in place," one Petrobras executive told ICIS Heren this week. "We are now at a point when we can realistically consider this option."

A presentation by Petrobras gas & power trading manager, Rodrigo Vilanova, at CWC LNG Americas Summit in San Antonio showed LNG send-out from Guanabara Bay has been mostly zero since start-up, with some spikes on the last week of March 2009, the first half of August 2009 and the second half of September '09. Pecém's send-out figures show a different picture, with the terminal pumping gas into the grid on an almost daily basis, and an average monthly send-out around 2 million cubic metres per day ($Mm^3$/day) since June 2009.

The 138,000$m^3$ Golar Winter is currently berthed at Guanabara Bay, while the 128,000$m^3$ Golar Spirit is berthed at the northern port of Pecém.

Petrobras sources said an opportunity analysis will be made in April, when the dry season begins in Brazil and hydro reservoirs are at their annual peak.

However, potential showstoppers include low charter rates and a general abundance of short-term supply in the Atlantic Basin, which disincetivise a trading operation aimed at loading abroad with the purpose to sell a cargo in the Atlantic Basin. A third potential obstacle is Petrobras' annual commitment to make available enough gas to fuel gas-fired power generation capacity that is expected to increase by 882MW to 6659MW this year as new infrastructure comes online.

### Third terminal likely to face delay

Under the company's new multi-annual business plan, a third Brazilian terminal is likely to be rolled back one year or more from its original date of 2013, ICIS Heren understands. The plan is in its final stages of elaboration and is due to become public shortly.

The third terminal is part of the company's current 2009-2013 business plan, which leaves open both an onshore or a FSRU solution.

Vilanova said in his presentation that the company's gas-demand projection for 2010 is 54$Mm^3$/day, up from 46$Mm^3$/day in 2009 and down from the 58$Mm^3$/day figure in pre-crisis 2008. These numbers are in stark contrast with the company's official gas-demand forecast of 68$Mm^3$/day in 2009 and 96$Mm^3$/day for 2010 in its 2009-2013 strategy plan, which argues in favour of additional LNG import infrastructure.

One of the potential locations for the third terminal is in the southern coast, with a view to receive volumes from the proposed floating LNG (FLNG) plants in the pre-salt area that is currently in the front end engineering and design stage. The southern coast regas option competes with an alternative proposal to build a 250–300km subsea pipeline connecting the pre-salt gas to an onshore liquefaction facility.

## Shell strategy

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said, "we believe that the medium-term outlook for natural gas does remain positive, and this is a strong growth theme for Shell. From a company's perspective, which is mostly the electric power generators, gas has a scale and a cost advantage over other types of fuel with low emissions."

### Shell's Chinese hopes

Simon Henry, Shell's chief financial officer (CFO), and Voser's 'Mr China', with responsibility for that country on the executive committee, said: "A key part of our strategy is focused at maximising our exposure to Chinese markets, helping Chinese companies become international and developing business together."

Henry said the A$3.3bn (US$3bn) Shell-PetroChina bid for Arrow Energy of Australia was "a full joint venture" and remained under discussion. He added that the offer was "part of building on our relationship with our counterparts in PetroChina to develop a gas business which will, in the fullness of time we hope, deliver more gas back into China and show that we can work with them as a good partner outside China."

Shell made no change to its guidance on Qatar's Pearl GTL and Qatargas 4. Both are set to start up around the end of 2010, with production ramp-up in 2011. Shell is to supply at least 3mtpa of LNG from the Qatargas 4 to PetroChina.

In the presentation, Voser and Henry said Nigeria remained attractive for the long term, but expressed continued concern about the security situation there and the Petroleum Bill. They cautioned against any upcoming LNG export project in Iraq, saying activities there were focused on domestic supply and reducing flaring. Voser also reconfirmed that Shell was following developments in Russia closely, including a possible Yamal LNG project, which Novatek has said it expects to take a decision on this year, including the selection of foreign partners.

However, in exploration Henry said, "Our success recently happens to have been in the US, Canada, Brazil, Australia and Alaska. If we are successful at exploring there, I think they will be the most attractive economic opportunities in the portfolio and where we would look to put the money. It is as simple as that."

## Philippines delays first terminal start up - DoE

**The Philippines expects** its first LNG receiving terminal in 2013 instead of the previously announced 2011 target, the Filipino Department of Energy (DoE) told ICIS Heren on Tuesday.

No reasons were provided for the slip in project timeline. The LNG terminal would be located in Quezon, southeast of Manila.

"If all requirements for permit application are submitted within this year, target completion of the LNG terminal is now 2013," said DOE's official and spokesperson Laura Saguin, adding that construction at the site has yet to begin.

In the first phase of development, the country is looking to construct a LNG tank with the storage capacity of 130,000 cubic meters ($Mm^3$). In addition, the facility will also include two 50MW gas turbine (GT) and one 50MW steam turbine (ST) power generation units.

Phase two of development will consist of the construction of another 130,000$Mm^3$ tank, and an additional two 50MW >> Page 7