

# Bumpy road to clean energy

The Business Times newspaper in Singapore recently published BW Group CEO Andreas Sohmen-Pao's views on the LNG shipping industry. Here is an abridged version of his commentary.

**T**he present market for liquefied natural gas (LNG) looks bleak but the outlook is still positive, thanks to the increasing demand for clean energy. BW Group is well-positioned to ride out the storm and enjoy better conditions in future.

## AWASH WITH VESSELS

The market for LNG carriers is currently oversupplied, with about 50 LNG vessels idling and the few available cargoes being transported at rates well below operating cost. The economic downturn has weakened demand for LNG in key markets such as the US and Japan; challenging financing conditions have caused many LNG projects to be postponed.

The positive news is that the crisis has not delayed the specific projects for which most of the newly delivered vessels were ordered. As production comes on stream, most of the idle vessels will start moving these cargoes. Optimists anticipate that demand will soon outstrip vessel supply, but realists caution that there are always challenges in getting LNG trains to produce at full capacity.

## FIRM Foothold IN LNG

With a solid reputation, cutting-edge technology and a customer-centric business model, BW Group is an established LNG operator and has had a presence in this segment since the 1980s. Of the 129 BW vessels on the water today, 13 are modern LNG carriers. In addition, BW Offshore's

subsidiary APL is a leading provider of offshore technology, in particular mooring systems for FPSOs and offshore LNG terminals.

The entire BW LNG fleet is chartered out to blue chip customers on secure, 20-year long term contracts. Customers include global energy company GDF Suez, Algeria's state owned oil company Sonatrach, and Nigeria LNG, which is 51 per cent owned by Shell, Total and ENI. This leaves BW with no exposure to the depressed LNG spot market.

The long-term contracts have also created a platform for strong customer partnerships. Flexibility, responsiveness and resourcefulness have also been critical components of the customer approach. As an example, BW is highly committed to training Nigerian and Algerian crew for LNG carriers, to help build local maritime competence. In another instance, a vessel originally intended to service GDF Suez' Yemen LNG train will now be refitted to work as a floating storage vessel for the company's project in Chile after the merger of GDF and Suez left the company with an increased supply of vessels.

## A CLEAN FUTURE

A bright future has long been predicted for LNG. The fact that natural gas is found in hard-to-reach places makes pipelines impractical and shipping more relevant. Given the abundance of environmentally friendly natural gas, the focus on tapping into this energy source will only increase in

the future. As evidence, the Singapore government is investing over a billion dollars in an LNG terminal at Jurong Island. Singapore, a densely populated city, has added incentive to increase gas usage given the reduced emissions compared to other fossil fuels. Natural gas can cut carbon dioxide emissions from a third to half compared to emissions from using coal or oil.

Like natural gas, the liquefied petroleum gases propane and butane (LPG) have applications in electricity production, cooking and heating. In addition, the use of propane as fuel for cars, often called autogas, is growing. The use of LPG fuel is being encouraged and supported in major cities such as Shanghai, Beijing and Hong Kong as it helps these cities to improve air quality. As the largest owner and operator of LPG carriers, BW Gas, with 52 LPG carriers, is well-placed to seize the opportunities this growth brings.

Natural gas is a long term play. With growing production and demand for both LNG and LPG, shipping should still have an important role to play in bringing this important energy source to world markets. ●

