

HD Natural Gas Not Second Best to Oil

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Maputo, Nov 14, 2014 (Agencia de Informacao de Mocambique/All Africa Global Media via COMTEX) -- Experts attending an oil and gas conference in the United Arab Emirates have argued that natural gas is no longer the poor sister of the hydrocarbon family.

Speaking on the sidelines of the Abu Dhabi International Petroleum Exhibition and Conference, the President of Strategies et Politiques Energetiques, Francis Perrin, told AIM that in fact over the last twenty years natural gas has gained several advantages over oil. In particular, it is the cleanest fossil fuel and is increasingly in demand as the world's economy grows.

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In October Mozambique's Minister of Mineral Resources, Esperanca Bias, revealed that just five years of exploration in the Rovuma Basin in the north of the country has increased known natural gas reserves from five trillion cubic feet to over 200 trillion cubic feet. Previous to these discoveries the known gas was located in the southern province of Inhambane.

The operators of the two successful northern concessions, US company Anadarko and Italy's ENI, are now developing plans to build Liquefied Natural Gas (LNG) plants which will cool the gas until it becomes a liquid prior to shipping to the world's energy markets.

There is enough gas for the two companies to jointly build at least ten production units each capable of making five million tonnes of LNG per year. However, this could cost up to 80 billion US dollars. In addition, ENI is designing a floating production unit (FLNG) to produce a further two million tonnes per year.

These developments could begin operation before the end of the decade, and once operational will make the country one of the world's largest exporters of LNG, alongside Qatar and Australia.

Perrin pointed out that Mozambique is developing these plans at a difficult time due to a well-supplied market with many other projects due to come on stream over the next few years.

He warned that several very large gas deposits will soon be commercialised, including those in Tanzania, Angola, Cyprus, Israel, Qatar and Australia. In addition, shale and tight gas will become major sources in the United States and elsewhere in coming years.

However, he argued that Mozambique has huge deposits of high quality gas which enables investors to take a very long term view.

The key region for LNG imports is Asia, and Perrin pointed out that Mozambique is in a great geographical position to supply these markets with uninterrupted marine routes.

He argued that Mozambique should continue to seek advice from African countries with experienced national hydrocarbon companies to make sure that it receives a fair share of future gas revenue. In particular, he mentioned Algeria which was the first country to export LNG back in the 1960's. He added that the World Bank and specialist consultants are also available to assist with ensuring that fair contracts are signed.

Perrin argued that gas is now a competitor of **oil**. In addition to being a fuel, it can be used to make fertilisers and plastics, and new technological methods can transform it into a liquid at room temperature for use in vehicles (a process known as Gas To Liquid - GTL).

Mozambique also stands to gain from geopolitical and economic imperatives.

Despite the fact that the United Arab Emirates is an exporter of **oil**, gas and LNG, it is building a regasification terminal on the east coast at Fujairah. The EmiratesLNG project was launched in 2012 to provide an additional reliable source of **energy**.

Currently, the UAE imports gas from Qatar through the Dolphin Gas Project pipeline, and Perrin pointed out that relations between the two countries have not always been easy. In addition, the regasification plant is to be located on the country's eastern coastline, which will avoid the need for tankers to travel through the narrow Strait of Hormuz, where in the past tensions have arisen with Iran.

It is expected that EmiratesLNG will be in contact with Mozambican companies to see if an agreement can be reached.

Funding the multi-**billion** dollar LNG plant in Mozambique will require the owners to take out huge loans from banks. To secure these loans they will need several twenty year LNG supply contracts. This is where negotiations with companies such as EmiratesLNG can determine whether the project is viable.

Oil and gas consultant Dr Neil Ford told AIM that despite the challenges faced by the increasing global supply of LNG, Mozambique is doing the right thing in getting the two consortia headed by Anadarko and ENI to cooperate over the commercialisation of their adjoining gas fields (ENI's proposed Floating LNG vessel will be used to tap its gas reserves found in deeper water).

By using a single site for producing LNG the development will be greatly speeded up through the sharing of roads, logistics, harbour and port, and the environmental impact assessment.

Dr Ford pointed out that in Australia where several projects are being implemented separately, huge delays are caused due to duplication and expert staff shortages.

He stressed that there is more demand for LNG than ever before, particularly driven by South Korea, Taiwan, Japan, India and **China**.

From the geopolitical perspective, Dr Ford suggested that Mozambican gas could play a role in the **Chinese** policy sometimes known as the "String of Pearls". Although the term is not used by **Chinese** sources, it describes **Chinese** efforts to secure its access to trade routes and resources through the development of ports in countries to the west of **China**, including in Bangladesh, Sri Lanka, Myanmar, Pakistan and Tanzania.

Interestingly, in 2013 ENI sold a twenty per cent **stake** in its Mozambique asset to the **Chinese** National Petroleum Corporation (CPNP) for 4.21 **billion** US Dollars. However, this should be put in context of **Chinese** companies buying shares in almost a hundred hydrocarbon assets around the world at a cost of over a hundred **billion** dollars.

This year's ADIPEC event is expected to be attended by over sixty thousand visitors with more than 1,800 exhibiting companies. The event is devoting an afternoon session to East Africa, signalling the growing importance of the region to the hydrocarbon industry.

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