SE Features

HD **Chinese Yards Vie for LNG Tanker Contract**

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Dalian Shipbuilding Industry Corp. (DSIC) and rival yard Hudong-Zhonghua are locked in a neck-and-neck race for an engineering, procurement and construction (EPC) contract to build two tankers to ship LNG from Australia to China.

Sources say DSIC and Hudong-Zhonghua are due to hand in their commercial bids for the job, on top of the technical bids they have already submitted, to a consortium consisting of Chinese major Sinopec and China Shipping on Aug. 20. The award of the contract is expected one month later.

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The successful yard will be contracted to deliver the first LNG carrier in 2018, with the second to follow six months after the first. One year will be allotted for design and engineering, sources say.

The Sinopec-China Shipping consortium had placed firm orders with Hudong-Zhonghua for four 174,000 cubic meter LNG carriers in late 2012, with delivery starting in 2015, and separate options for two similar units (LNGI Aug.2'13). But sources claim the consortium has decided not to exercise the options, preferring to float a fresh tender for the newbuilds instead.

All six vessels will be deployed to ship LNG from the Australia Pacific LNG (APLNG) project in Queensland, in which Sinopec is a 25% stakeholder alongside Origin Energy and ConocoPhillips on 37.5% apiece, to China. Sinopec has committed to buying 7.6 million tons of LNG annually from APLNG for 20 years from 2016 (LNGI Jul.8'14).

DSIC is new to LNG carrier fabrication but has long been studying the business. Its yard in the northeastern Chinese city of Dalian is currently building a floating production, storage and offloading vessel for China National Offshore Oil Corp.'s (CNOOC) Enping oil field in the South China Sea.

For now, Hudong-Zhonghua remains China's only LNG vessel fabricator, with 14 firm orders on its books. Last week, the Shanghai yard turned a letter of intent signed with BG Group in late 2013 into a commercial deal to build two 174,000 cubic meter LNG carriers, with options for two more. The vessels will be delivered from 2017-19 and operate under 20-year time-charter contracts with BG.

BG is understood to have sold its 30% equity stake in the ships. Bermuda-based Teekay LNG Partners now holds 30% in the first two units, with China LNG Shipping on 20% and CNOOC's LNG shipping arm, CNOOC Energy Technology and Services (CETS), on 50%.

In the second two vessels, CETS also holds 50%, Teekay and China LNG Shipping 20% each, and Bermuda-incorporated BW Group has the remaining 10%. Chinese media have reported that state-run Export-Import Bank of China will lend $400 million to the shareholders to finance construction of the units (LNGI Jul.9'14).

The tri-fuel diesel electric LNG carriers are expected to be used to ship cargoes from BG's upcoming Queensland Curtis LNG (QCLNG) project in Australia. CNOOC holds 50% in the first train of QCLNG and has committed to buying up to 8.6 million tons per year of LNG from BG over 20-year periods -- 3.6 million tons/yr from QCLNG, which is due to start up by the end of this year, and a further 5 million tons/yr from BG's global portfolio from 2015 (LNGI Jun.25'14).

China is poised to aggressively ramp up its LNG imports, with annual volumes expected to climb from 18 million tons last year to 61 million tons by 2020. Energy consultancy Wood Mackenzie said in a recent report that China could become the world second-largest LNG importer, after Japan, by that year.

Energy Intelligence

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