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Shake-up Looms At Trinidad's Atlantic LNG

Trinidad and Tobago's Atlantic LNG looks set for a shakeup as the government negotiates with key shareholders BP and Royal Dutch Shell over the future of the first of the plant's four trains. Gas shortages have left the project operating well below its 15 million ton per year capacity, and BP said in May that Train 1 might have to close for lack of feedstock (WGI Aug.16'17). Upstream output has recovered slightly from its 2016-17 low, but Atlantic LNG exported only 10 million tons or so in 2018, and BP said disappointing results from a four-well infill drilling program at its existing Cannonball field meant "there are challenges to our supply of gas to Train 1 after 2019" (WGI Aug.16'17). A Shell spokesperson confirmed that talks with the government and other Atlantic LNG shareholders continue, but are "commercially confidential."

The 3 million ton/yr Train 1 opened at Point Fortin in 1999, and is owned by Shell with 46%, BP with 34%, state-controlled National Gas Co. (NGC) with 10% and Chinese sovereign wealth fund CIC, also with 10%. The Train 1 shareholder agreement is close to expiry and the Trinidad government is understood to want to increase its influence. "The government should be in a better position now since the train is built and in operation and it now has more experience of LNG so the involvement of [international oil companies] like BP and Shell is not so critical," one source says. "Like many governments, it has been concerned that the foreign partners are taking an unfair share of the revenues."

The US was originally intended as the baseload buyer for first train output, and the Atlantic LNG joint marketing company sells most of the LNG on long-term contracts priced off the US Henry Hub benchmark to portfolio players like Shell and BP, with no destination restrictions. "So the collapse of US gas prices after the shale boom left Trinidad with disappointing revenues and the buyers with a windfall in the last decade," Columbia University Center on Global Energy Policy senior research associate Akos Losz says. Energy and Industries Minister Franklin Khan said earlier this year that Trinidad wants to renegotiate long-term contracts expiring between now and 2023 to short- and medium-term deals, and is looking at hybrid pricing. It also wants to sell more equity volumes itself. But as another source says, "there must be a question over how long do you extend Train 1 operations, or is it better to accept that there are not sufficient reserves to produce at the full 15 million ton/yr capacity and mothball Train 1?"

Lack of upstream investment and declines at associated legacy fields have taken their toll. Deepwater exploration off the east coast has not produced the desired results and the country has failed to reach agreement with Venezuela on the development of reserves straddling their maritime border. "The operators therefore have to bring on line a constant stream of backfill projects to maintain output levels," Losz says. Atlantic LNG experienced severe feedgas shortages in 2016 and 2017, although gas output has since risen thanks to newer developments including BP's Juniper and Angelin fields. Angelin started up this year and Juniper in 2017.

Domestic production averaged more than 4 billion cubic feet per day (41 billion cubic meters per year) a decade ago, but fell to less than 3.5 Bcf/d in 2016-17. Latest energy ministry data put it at nearly 3.96 Bcf/d in February, 8.6% higher than January, and average output over the first two months at almost 3.8 Bcf/d.

Shell has 57.5% of Trains 2 and 3 to BP's 42.5%, while Shell has 51.11% of Train 4, BP 37.78% and NGC 11.11%. The shareholder agreement for Train 2 ends in 2022, for Train 3 in 2023 and for Train 4 in 2026. The country's top LNG buyers include Chile, Spain and the US. According to the GIIGNL importers' group, Chile imported 1.76 million tons from the plant in 2018, Spain 1.57 million tons and the US 1.4 million tons. ■

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