

News : Investment needed in LNG sector to respond to Russian energy crisis

G7

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- **LNG** key to phasing out of **Russian** energy dependency
- Publicly supported investment 'appropriate' response
- Global **LNG** imports up 4.5% in 2021 at 372 million mt

More **LNG** sector investment is needed to respond to the current energy crisis and to aid efforts to phase out **Russian gas** dependency, G7 leaders agreed.

With global **gas** prices having reached record highs in 2022, more investments are being approved in the **LNG** sector -- both for new liquefaction facilities, in particular in the **US** , and for new regasification infrastructure, mostly in **Europe** .

In its final communique following a summit held June 28, the G7 said **LNG** had a major role to play in cutting dependence on **Russia** .

"Investment in this sector is necessary in response to the current crisis," it said.

"With a view to accelerating the phase-out of our dependency on **Russian** energy, we stress the important role increased deliveries of **LNG** can play," it said.

The G7 has committed to end new direct public support for the international unabated fossil fuel energy sector by the end of 2022, except in exceptional circumstances.

However, **LNG** investment is now seen as a crucial element in improving **gas** supply security.

"In these exceptional circumstances, publicly supported investment in the **gas** sector can be appropriate as a temporary response, subject to defined national circumstances," the G7 said.

Investment should also be facilitated in a manner "consistent with our climate objectives and without creating lock-in effects, for example by ensuring that projects are integrated into national strategies for the development of low-carbon and **renewable hydrogen** ."

LNG trade

Global **LNG** trade continues to grow, with imports last year up by 4.5% to 372.3 million mt, according to the latest annual report from industry group GIIGNL, which represents the world's **LNG** importers and import infrastructure operators.

In the report published in May, GIIGNL President Jean Abiteboul said the **European energy** crisis was a "stark reminder" of the vital role of ensuring energy security and economic stability.

Abiteboul said the group would monitor the "paradigm shift" in the sector over the coming year as governments and public institutions increasingly involved in the **LNG** business.

Europe in particular is looking to **LNG** to replace **Russian gas** imports and is rushing to install new **LNG** import infrastructure.

Abiteboul said that additional investments "in all stages of the **gas** and **LNG** supply chains" would need to be made to meet expected demand growth.

Growth was driven in 2021 by economic recovery in **China** , rising **gas** demand for power generation in **South Korea** , lower-than-expected supplies to **Europe** and reduced availability of **hydropower** in **Brazil** .

The increase in global **LNG** demand came despite spot **LNG** prices moving higher throughout 2021.

The benchmark Platts JKM spot **Asian LNG** price averaged \$18.60/MMBtu last year, compared with an average of just \$4.39/MMBtu in 2020.

Spot **LNG** prices have remained at sustained highs in 2022, with the JKM reaching a record high of \$84.76/MMBtu in March.

It was last assessed June 29 at \$38.59/MMBtu.

Price cap

G7 leaders were also reported to have discussed the possibility of a cap on **Russian gas** prices -- as well as a similar mechanism for **Russian coal** , but there was no mention of a **gas** price cap in the final communique.

Russian government spokesman Dmitry Peskov on June 28 was reported as saying that any **gas** price cap would likely mean the need for reviving long-term contracts with **European** buyers.

"[**Gazprom**] will probably seek to revise current contracts," Peskov was quoted as saying by the Tass news agency.