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Mitsubishi Sets Sights on Floating LNG Providers in Demand Push

by Dan Murtaugh

(Bloomberg) -- Mitsubishi Corp. may acquire or make strategic alliances with providers of floating gas terminals as it seeks to expand demand for the fuel in emerging markets.

The target of the largest Japanese trading house is a vessel known as a floating storage and regasification unit, a massive ship than can sit miles off the coast of a city, accept LNG from tankers and convert it back to usable dry gas and send it to shore by pipeline. Facing a surplus over the coming decade, suppliers are turning to the technology to tap new markets with the potential for high gas demand, according to Robert Ineson, managing director for global LNG at consultant IHS Markit Ltd.

Mitsubishi could buy an FSRU provider, or enter into a strategic partnership where the Tokyo-based company offers exclusivity in exchange for priority rights to its vessels, said Ryosuke Tsugaru, chief executive of Diamond Gas International, the LNG trading unit of Mitsubishi. A strategic alliance seems more likely, Tsugaru said on the sidelines of the LNG Supplies for Asian Markets conference in Singapore.

“We are studying how to improve our ability to mobilize quickly,” Tsugaru said. “Our customers are in a hurry to get their gas.”

FSRUs are part of an overall LNG infrastructure package Mitsubishi wants to offer emerging markets. New buyers are seeking to enter the LNG market as fresh supplies from projects in the U.S. and Australia are expected to reduce spot prices. They are cheaper and faster to build than on-shore terminals, and have become the go-to equipment for new importers that want to take advantage of a growing global supply of LNG.

To expand markets to which they can sell LNG, suppliers are “thinking that what they may need to do is not just sell the gas, but build the regas and maybe even build the power plant behind the regas,” IHS’ Ineson said in an interview in Tokyo Feb. 8.

Spot LNG in Asia, which traded above $9 per million British thermal units in January, will bottom out at $3 to $4 per million British thermal units by the second half of 2018, Fereidun Fesharaki, chairman of energy consultant FGE, said in a January report. New markets often need infrastructure including import terminals, pipelines and even power plants, Tsugaru said.

Mitsubishi has partnered with Qatar Petroleum, Exxon Mobil Corp. and others to develop an FSRU, jetty and pipeline to supply gas to Pakistan in 2018. As many as five projects planned globally may be developed as integrated LNG-to-power, according to the Houston-based law firm Baker Botts LLP.

“In order to meet new needs in emerging markets, we recognize a creative approach and a package solution is essential,” Tsugaru said. “We want to step up our demand creation efforts.”