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ENN: China's LNG Imports to Surge 30% by 2020

China is expected to import some 50 million tons per year of LNG by 2020, a 30% jump from the record 38.3 million tons it received last year, according to Chinese gas distributor ENN ([IOD Jan.26'18](#)). Gas market growth and government policies favoring gas over other fuels like coal will boost imports, the firm said.

Increased coal-to-gas switching in northern China's heating and power generation sectors have spiked the country's LNG demand since last September and boosted Asia-Pacific spot prices to multiyear highs. This strengthened the East of Suez arbitrage and drew more cargoes from Atlantic producers and European reload terminals. ENN's bullish sentiments on Chinese LNG demand echo that of many industry participants, particularly producers and traders with long positions further out.

"China's gas consumption will grow at a high rate for the next few years," ENN Vice President Ma Shenyuan said Thursday at the LNGA conference organized by Conference Connection in Singapore. New LNG contracts will be needed to meet such demand growth, Ma said.

China already overtook South Korea last year as the world's second-largest LNG importer, behind Japan, which received 83.6 million tons ([IOD Jan.31'18](#)). China has over 55 million tons/yr of LNG regasification capacity across 16 receiving terminals, mostly along its eastern coast. The country also produces gas and LNG and receives pipeline imports from Central Asia and Myanmar. A 38 billion cubic meter per year deal with Russia is also set to commence by end-2019 ([IOD Dec.22'17](#)). Chinese gas demand is expected at around 3 trillion-4 trillion cubic meters in 2020, up from some 2.5 Tcm in 2017, according to ENN.

ENN is poised to add to Chinese LNG imports. Its 3 million ton/yr Zhoushan terminal in eastern China's Zhejiang province is on track to commence this June and will be equipped with reload, bunkering and trucking facilities.

LNG trucking played a key role in meeting peak gas demand this winter in China, where gas storage capacity is limited, Ma said. Over 20 million tons of LNG were traded by trucks in China last year, up nearly 50% from 2016, he said. The LNG was supplied from Chinese LNG terminals, as well as the country's over 70 small-scale liquefaction plants, to customers that were primarily niche industrial users. Trucked LNG prices are unregulated, unlike city-gate gas, and are therefore susceptible to market forces -- they rose to as high as \$28 per million Btu in some parts of China this winter.

The Zhoushan terminal's first-phase 3 million ton/yr capacity will be supported by long- and short-term contracts, as well as spot volumes. ENN has separate term contracts signed in 2016 with Chevron, Australia's Origin Energy and France's Total for around 1.43 million tons/yr of LNG in total. It also has short-term deals, Ma said without disclosing details. ENN is also in discussions with Australia's Santos to set up an LNG trading joint venture, although *International Oil Daily* understands this is not underpinned by LNG supplies ([IOD Feb.22'18](#)).

The Zhoushan terminal could eventually be expanded to 10 million tons/yr. ENN is also eyeing potential new terminals in other locations, although Ma said this was still in the early "feasibility studies" stage.

ENN will be the third firm outside of China's "Big Three" state-run LNG importers to operate its own LNG terminal once Zhoushan is up. Private-sector firm Jovo has a 1 million ton/yr facility in southern China's Dongguan while

Guanghai Energy commenced its 400,000 ton/yr terminal in 2016 at Qidong in Jiangsu province.

ENN will also set up an office in Singapore for procurement and trading purposes "within the next few weeks," Ma said, which will focus on obtaining supplies for ENN's own use. The Chinese firm has done a couple of spot LNG trades before, receiving them via third-party access to state-run regasification terminals.

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