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Dutch Gate LNG terminal tests interest in capacity expansion

A spokesperson from the Gate LNG terminal in the Netherlands has told ICIS the operator is testing market interest for 2 billion cubic metres (bcm)/year of additional regasification capacity.

According to the source a final investment decision could be made in the second quarter of 2019, which would lead to a start-up in mid-2021.

This would bring total throughput capacity at Gate to 14bcm/year.

Market interest is also being tested for an additional small-scale jetty, which would be used to for smaller vessels and as a transport fuel. This would be the fourth jetty at the Gate terminal and the second dedicated to small-scale operations. If approved it could also become operational in 2021.

Gate terminal

Send-out volumes from Gate to the Dutch grid have been at record highs during the gas winter starting on 1 October 2018, as the number of spot cargoes arriving has spiked.

Global spreads have made Europe the most profitable destination for spot vessels in winter so far.

Gate is one of the most attractive European terminals as it is a gateway to the TTF, the most-liquid European hub.

Most of the capacity is either free to purchase or under flexible contract, which puts the terminal in a good position to profit from global arbitrage.

The recent surge in send-out has strengthened the commercial case for additional capacity. However, expansion discussions started during the first half of 2018 before the current gas winter, after activity picked up at the terminal.

During the winter so far send-out has averaged around 20 million cubic metres (mcm) a day and totalled 2.8bcm.

Regasified LNG covered 15% of Dutch demand in that period, data collated by ICIS showed.

Offsetting falling production

The maximum send-out capacity from Gate is around 33mcm/day and this would cover around 14% of a 229mcm demand day, which was the highest Dutch daily consumption recorded in the past five years.

Additional flexibility is likely to be attractive as production from the Groningen gas field decreases.

Groningen is historically the main source used to meet domestic, as well as a large part of industrial, demand.

The government plans to sharply reduce output from the field and eventually close it by 2030 due to earth tremors associated with extraction.

The possibility of using additional capacity at the LNG terminal could partly offset lower flexibility on the production side.

Alice Casagni

LNG Analyst View

Capacity at the Gate terminal is highly flexible, which makes send-out very volatile and subject to changes in global price spreads.

Based on existing contracts for capacity at Gate, only the 0.75 million tonnes per annum (mpta) deal contracted by Spanish company Iberdrola is firm.

The remaining agreements are flexible, hence cargoes under those are only likely to be delivered when LNG prices to Europe are favourably compared to East Asia.

This explains why we have seen more of these flexible cargoes come to the Netherlands and other terminals in Europe recently, due to the narrowing spread between Asia and Europe.

Information about firm and flexible capacity contracts at Gate can be found on LNG Edge.

Met vriendelijke groet,

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