FSRUs: Facilitating New LNG Demand

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What drives new LNG demand?

New LNG demand driven by:
1. Local energy problem
2. New LNG import terminal
What stops new LNG import terminals?

New LNG import terminals do not progress if they are:
1. Too slow
2. Too expensive
3. Too rigid

In contrast FSRU-based import terminals typically are:
1. Faster
2. More Economical
3. More Flexible
Baker Botts’ LNG Practice

150+ LNG TRANSACTIONS
RECOGNIZED AS BAND 1 BY CHAMBERS

"The LNG team is five star across the board in terms of client service, expertise, availability and drafting as well as commercial and legal acumen."
- Chambers USA

• Baker Botts: consistently ranked as one of the top law firms in the world for the energy sector and specifically a Band 1 ranking by Chambers Global 2018 for USA Projects: LNG

• 100 MAJOR LNG projects; including:
  • structuring 15 greenfield liquefaction LNG projects, including Cheniere’s landmark Sabine Pass Liquefaction Project, the first liquefied natural gas (LNG) export project in the U.S. in 40 years
  • of these 15 projects, 11 have been successfully launched with three of the remaining five under active development
  • at least eight LNG projects that have been financed

• $25+ billion in capex in LNG projects currently or recently under construction
1. FSRUs: Faster

1. Argentina: Bahia Blanca (Excelerate Energy)
2. Pakistan: Port Qasim (Excelerate Exquisite)
2. FSRUs: More Economical

1. Brazil: Bahia de Guanabara (Golar Winter & Excelerate Experience)
2. Colombia: Cartagena (Höegh Grace)
3. FSRUs: More Flexible

1. Egypt: Ain Sokhna (Höegh Gallant)
2. Jordan: Aqaba Port (Golar Eskimo)
FSRUs: Next Steps ~ Charter Party Flexibility

- Parties need to be ready for unexpected changes
- Parties should negotiate charter party terms:
  - Charterer right to terminate early, subject to termination payment
  - Charterer right to redeploy FSRU to other purpose or location
FSRUs: Next Steps ~ Multi-User Terminals

- Parties can potentially increase LNG demand further by changing FSRU projects to multi-user terminals
- Klaipėda LNG Terminal (Lithuania)
- Multi-user terminals require carefully-structured coordination agreement, e.g.:
  - How will users pool LNG?
  - What happens if a user fails to perform?
  - What credit support is required between users?
Case studies show:

- FSRUs facilitate new LNG demand
- FSRUs are often faster, more economical and more flexible
- Key advantage is ability to deploy FSRUs for short periods of time and to redeploy FSRUs

Next steps for more LNG demand growth:

- Increase charter party flexibility
- More multi-user terminals
Thank You

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