



GTE Position on LNG

LNG Synopsis

Avenue Palmerston 4
B – 1000 Brussels

Tel +32 2 237 11 37
Fax +32 2 230 62 91

gte@gte.be
www.gte.be

Ref.:
02LNG196-draft2

Introduction

The international scenario about the LNG business is quickly changing towards a more complex market with many different players involved and interested in LNG transportation as a competitive alternative to the natural gas supplying via pipes.

Therefore the main objective for the GTE LNG Working Group is to contribute to the process of harmonisation among the European Terminal Operators, promoting standard procedures where it is possible and a common data base for all the parties operating in the LNG business.

The principal players who manage the LNG process are:

- *Terminal Operator*, manager of the terminal;
- *Owner/Operator of the LNG carrier* (or cargo shipper, which can be different from the TPA "Shipper"). The Master is its agent;
- *Shipper*, as owner of the commodity or its Shipper agent is the legal entity having access rights for Terminal services;
- *Customs Authorities*, who are allowing the unloading of cargoes.

Actually the differences in the procedures concerning the ship authorisation and the communication protocol, scheduling and operational rules among the players may be more critical as the result of the opening of the LNG market to new competitors.

Moreover the new trend of a dynamic and diversified market due to the growth of spot trades requires more flexibility from the Terminal Operators in order to receive LNG cargoes from different origins based on shorter delays.

The LNG business (as the entire process from the ship transportation to the gas flow at the outlet flange of the LNG Terminal) presents several aspects both technical and commercial for the managements of the Plants and the interconnection with the on-shore transportation system.

Basically, in order to guarantee a substantial independence on formal commercial contracts, the terminal should be operated separately from SPA, dealing both with long, short terms and spot LNG carrier (or cargo Shipper).

There are several aspects of LNG Interoperability that can be treated in the same manner and there are others that have to be given specific treatment considering the nature of the LNG business practices.

Among the several aspects of the LNG business the LNG WG has found main issues to be assessed to harmonise the LNG processes and to promote the growth of market.

1. LNG Terminal Operators Report

The GTE LNG Workgroup pointed out in the LNG Terminal Operators Report several technical and operational aspects to be considered for the harmonisation process inside the European Community.

As described in the Report, the Terminals have their own balancing, inventory and operating rules also based on the operating-commercial agreement with the transmission pipeline administrator, anyway



many issues may be addressed in order create a common standard for the operative LNG procedure, as reported below.

- Quality

- All the standard requirements for LNG to be unloaded and re-gasified in terms of quality (density, GCV, Wobbe Index, etc.)

- Quantity and energy measurement

- Loading and unloading certificates

- Measurement performed on the ship: devices, accuracy, limit values

- Measurement at the Terminal for sampling and gas analysis

- Allocation rules for the send-out

- Re-gasification capacity, monthly and weekly production's programs.

- Annual maintenance programs

- Scheduling

- Annual monthly and weekly scheduling of the expected quantities to be unloaded and for any programmed inventory transfer;

- Daily re-nomination for any kind of modification to the weekly program

- Custom procedures

- Communication protocol Terminal – Ship

- Data to be transmitted

- Standard practice of communication

- Common authorisation procedure

- Authorisation procedures

- Ship acceptance design requirements

- Compatibility with the Terminal structures and the port

- Logistic procedures

- Safe berth and discharging facilities

- Port authorities, services and customs

- Additional services

2. LNG Market and new commercial aspects

There are also several aspects regarding the LNG market not strictly related to operative- technical issues, which are fundamental either for the application management of the LNG Terminal or for nominations\allocation procedures for the send-out re-gasified quantities into the transmission system.

The definition of general conditions for the access to the LNG terminals could be extremely useful to optimize the management of all the Users entering the re-gasification services, both for long term contractors and "spot" cargoes.

Therefore the process of harmonization, about the LNG processes and market, may concern also issues for the management of the LNG Terminals' activities, as well as:

- Nominations/allocation rules for the daily programmed send-out, the storage accounting, the interconnection with the downstream transmission system;



- General terms of Access Conditions to the European LNG Terminals which represent shared principals indicated by Terminal Operators;
- Tariff criteria as reference for the LNG Terminals in order to promote a common and transparent framework for basic services.

3. **Principal objectives**

The harmonisation process cannot be applied to all the aspects concerning the LNG business, since the Terminals might have different technical requirements in order to satisfy their productivity needs.

Anyway there are many issues about the LNG procedures that can be shared in terms of the procedural and operative rules. Otherwise all the aspects not complying to a common general standard, might be collected in a common database open to the Community of LNG operators, carriers\shippers and managers of the transportation systems.

Therefore both the common issues and the singular aspects will be assessed and analyzed by the framework as proposed in the following key-points.

- Authorisation procedures

 - Design acceptance criteria

 - Ship acceptance to the Terminal facilities and port

 - Inspection protocol

- Communication protocol

 - Definition of a common communication protocol for all the procedures necessary to carry out the LNG transportation (from the loading port to the outlet flange)

- Operational and technical requirements

 - Assessment of the different operative requirements and common standards where it is possible

- LNG Business Rules

 - Mapping of general rules for the long/short term and spot scheduling

 - Nomination/allocation processes