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Oman to increase LNG exports in 2018



A tanker docked at Oman LNG. (Oman LNG)

Verity Ratcliffe /
London



THE RAMP-UP of BP's Khazzan development and improvements to Oman's liquefaction facilities will allow the sultanate to continue increasing its exports in 2018.

"[We] will push our production to 10.5 mtpa [...] for 2018 and onwards," Mohammed al-Naseeb, head of marketing at Oman LNG, told *Interfax Natural Gas Daily*. Naseeb's forecast for 2018 represents a 23.5% increase on exports in 2016.

The company operates three liquefaction trains at Qalhat with a combined nameplate capacity of 10.4 mtpa. Oman LNG has carried out some improvements at the plants to expand its capacity, and more work is planned in a bid to process additional gas volumes.

KBR was awarded the FEED contract for the work this summer, according to the *Times of Oman*. Some upgrades are required to handle the type of gas that will be supplied from the Khazzan development, said Harib al-Kitani, chief executive of Oman LNG, according to the report.

The first phase of Khazzan started up in September and will raise Oman's gas production by 30% when it reaches capacity. Oman LNG expects to receive gas from Khazzan at the start of 2018 but may receive some volumes ahead of schedule.

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"The commissioning is already done, but we are not counting anything in our business plan because commissioning can go either way. In our business plan, we have [Khazzan gas] from January 2018; anything that comes from this year will be sold on spot," said Naseeb.

Oman has focused on increasing its gas output to counter low oil prices since the slump in 2014. Oman LNG exported 7.9 mtpa in 2014, less than its capacity. Export volumes in 2015 remained the same, but they increased by 7.6% in 2016 because of higher gas output from Oman's operational assets.

Oman needs this export boost to support its state finances. The sultanate's ability to export has been squeezed by its growing gas needs. Domestic use accounts for about 70% of the gas Oman produces.

"Oman over the past several years had to divert gas from LNG export to the domestic sector," Justin Dargin, a Middle East energy expert at the University of Oxford, recently told *Interfax Natural Gas Daily*.

"In 2016 for instance, nearly 5% of gas destined for liquefaction had to be rescheduled. This is a bid for Oman to return to having a healthy export and domestic allocation balance sheet," he added.

Raising LNG output now will also help Oman if prices for the fuel recover. "Oman wants to be prepared to be able to export more LNG when the market strengthens," said Dargin.

Boost to development

Oman's Ministry of Oil and Gas is also hoping to spur gas development in the country, which should help sustain higher LNG volumes in the long term.

The sultanate recently selected IOCs to explore blocks 30, 31, 49 and 52 and intends to hold signing ceremonies with the companies in November, Suleiman al-Ghuniami, the

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A rig in the Khazzan field. (BP plc)

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ministry's director of petroleum concessions, told *Interfax Natural Gas Daily*.

The ministry is also offering exploration rights in blocks 43B, 47, 51 and 65. Companies have until 3 December to submit bids, and the ministry expects to award contracts in 2018.

Pipeline plan

Importing gas via a proposed pipeline from Iran would also boost Omani LNG exports, but the sultanate's push to send out more cargoes has reduced the economic incentive to build it. When the project was proposed in 2013, Iran's gas was intended to soak up Oman's underused capacity.

Further reading

MIDDLE EAST EXPLORATION

Oman to invite bids for exploration licences

Oman is confident the onshore blocks it is offering will attract a high level of interest.

MIDDLE EAST LNG

Oman plans to import LNG and coal at Duqm

The rapidly developing industrial zone at Oman's Duqm port may prompt the country to start importing LNG and coal.

Discussions on the pipeline project are continuing, but its future is uncertain. “[The pipeline] is under discussion between the two governments of Iran and Oman, and we don't know where they have reached in their discussions,” said Naseeb.

Despite this, Iran's domestic gas demand may make exports to Oman unfeasible.

“Much of [the project] depends on whether Iran will continue to honour its gas export agreements once it has realised its domestic hydrocarbon development plans,” said Dargin. “Iran has floated numerous pipeline proposals in the past to no avail.” ■

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Energy front-month futures, 2 November

| | Close | % change |
|-------------------------------|--------|----------|
| Brent Crude, \$/bbl | 60.62 | 0.21 |
| WTI Crude, \$/bbl | 54.54 | 0.44 |
| Henry Hub, \$/MMBtu | 2.94 | 1.45 |
| NBP, p/th | 51.96 | 1.68 |
| TTF, €/MWh | 18.45 | 0.08 |
| Gaspool, €/MWh | 18.48 | 1.17 |
| NCG, €/MWh | 18.73 | 0.28 |
| CSX Coal, \$/t | 64.25 | 0.00 |
| Newcastle Coal, \$/t | 100.20 | 0.20 |
| South China Coal, \$/t | 90.30 | 0.22 |

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Baghdad's ire at Rosneft deal puts pressure on IOCs

Iraq has demanded that Russia's Rosneft clarify its deal with the government of Kurdistan, which could be a bad sign for other players in the region.