

EUROPE

LNG | SPAIN

Mediterranean supply stable despite Nigerian force majeure

Jason Torquato global markets editor

NIGERIA LNG's force majeure on exports from its liquefaction facility is not expected to cause supply concerns in Mediterranean countries, which rely heavily on Nigerian deliveries, *Interfax* has learned.

Nigeria LNG – a consortium of the Nigerian National Petroleum Corp., Royal Dutch Shell, Total and Eni – was forced to declare force majeure at the 22 million tons per annum facility after a fire broke out on a pipeline, which provides more than 55% of the terminal's feedstock gas, following a failed attempt to steal crude oil.

Nigeria LNG exported to more than 15 countries in 2011, including some of the world's largest importers such as Japan, South Korea, India, the UK and France.

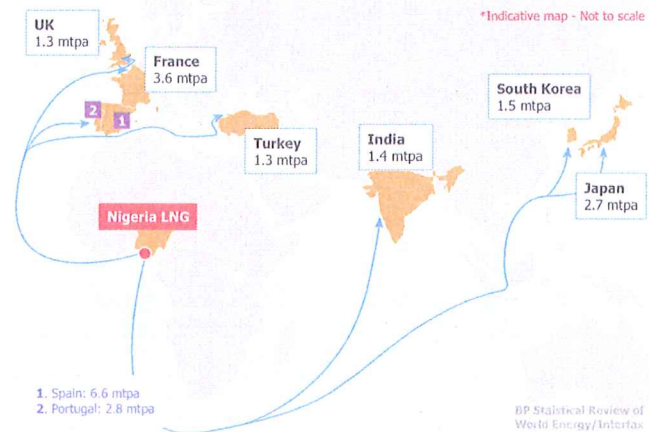
Portuguese state-owned Galp Energia is responsible for importing the majority of gas consumed within the country, 60% of which is sourced from Nigeria by way of LNG imports.

Despite this, a spokeswoman for Galp said there are no plans as yet to source LNG from other countries outside contractual deliveries.

Portugal's Sines terminal has received deliveries from Algeria and Trinidad & Tobago, in addition to Nigeria, over the past year. Despite being one of the only countries in the EU to have growing gas demand, and having a lack of LNG import diversity, it appears that Portuguese security of supply is stable – at least in the short term – with storage sites near capacity and imports of pipeline gas from Spain still an option.

A Spanish LNG trader told *Interfax* on Thursday that, because not all feedstock deliveries to the terminal were offline, there would be "delays to deliveries rather than cancellations, at least for now".

Data from Spanish transmission system operator Enagás showed that in August, Nigeria was responsible for supplying almost 30% of Spanish consumption. While that is the largest sole source, Spain has a



Nigeria LNG's major exports in 2011.

more varied supply mix, with LNG imports in 2011 coming from 10 other countries.

"It's unlikely that we, or any other buyers for that matter, will be looking to the spot market, at least until we've had more clarity on the situation in Nigeria," the trader continued. "Spain has been re-exporting a lot of tankers because of falling demand this year and, even though there is a lot of gas normally coming from Nigeria, I think we'll be fine."

"Several Spanish importers' contracts offer flexibility in terms of sourcing extra cargoes. We're a long way from people seeking spot cargoes."

Nigeria LNG made sure a force majeure stipulation was in place with buyers because of the high threat of pipeline disruption, with attempts to steal crude oil extremely common in the country. ■

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EXPLORATION & PRODUCTION | FRANCE

French shale committee appointment 'a toe in the door'

Tom Hoskyns Western Europe editor

PROSPECTS for the French shale industry appeared bleak last month when President Hollande issued a ban on hydraulic fracturing ('fracking'), but the recent appointment of Senator Michel Teston to a committee tasked with researching domestic oil and gas exploration techniques has given shale developers renewed hope.

Although the creation of the committee was announced in July 2011, its existence appears to undermine Hollande's declaration in

September that he would remain staunchly anti-fracking throughout his five-year term in office.

One industry insider told *Interfax* that, while the possibility of shale production taking place in the next five years was "very unlikely", he felt Teston's appointment "put maybe not a foot, but at least a toe, in the door for developers".

Nick Grealy, a UK-based independent shale gas consultant, said shale development in France was "inevitable" in the long term, even if initial progress is slow.

Grealy said he thought progress on the other side of the English Channel would help

matters in France – he believes production will begin in the UK before the end of the year.

He noted that should the French government 'flip-flop' on its anti-shale stance then it might encourage other countries to take the plunge.

"I think there's a feeling that 'fracking must be bad as the French have banned it', so a reversal of that policy would be very positive [for the industry]."

Thierry Bros, author of *After the shale gas revolution* and a senior European gas analyst at Société Générale, told *Interfax* that shale development in France would be

crucial for negotiating long-term supply contracts. "We need to explore shale, not even necessarily to produce [but] in order to have any sort of bargaining power with producers," said Bros.

Meanwhile, the French Energy Ministry told AFP its stance remained in line with President Hollande's statement in September.

France Nature Environnement – an NGO tasked with protecting the country's wildlife and environment – issued a statement saying it was "shocked" at Teston's appointment. ■

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