Rovuma spending cut as project nears sanction

Cost cuts at LNG project in Mozambique as partners eye potential increase in capacity of first two trains

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By **Iain Esau**

in **London**
The partners in the multi-phase Rovuma liquefied natural gas project in Mozambique have managed to cut capital costs by more than $1 billion as they head towards a final investment decision later this year.

Thore Kristiansen, chief operating officer of upstream at Lisbon-based Galp Energia, a Rovuma LNG partner, told Upstream that, since October 2019 when the project sanction was originally due to be taken, $1.2 billion has been sliced from the total cost of the two-train liquefaction scheme.

He also hinted that more cuts are in the pipeline before the project is sanctioned by the end of June--which is Galp’s view of the timeline--with first cargoes due to be exported in 2025.

“The partners have their own different views (on the final investment decision)... but what we are using internally and as our own benchmark is the first half of this year.”

Led by ExxonMobil, the Rovuma stakeholders are undertaking optimisation studies in order to bring unit costs lower.

“We have created three major working groups looking into upstream, midstream and other costs to see what we can do to further optimise the project,” said Kristiansen, describing the work as “meticulous".

He declined to be drawn on what further cost cuts may be forthcoming, saying only: “We have (a target) internally but it is not something we are publishing now.”

Kristiansen said the total capital expenditure required for this project would be “below $25 billion, of that order” which is on a dimension which is two times the African nation's current current gross domestic product.

Mozambique’s oil and gas regulator, the National Petroleum Institute, said in October that the Rovuma project would cost $23.6 billion.

A consortium of JGC, Fluor and TechnipFMC has been awarded a provisional engineering, procurement and construction contract covering the liquefaction facilities.

The two initial Rovuma trains will have a nameplate capacity of “at least 7.6 million tonnes per year,” said Kristiansen, stressing that “absolutely” this number could increase.

“We are looking at if there are redundancies in the systems that we can justify... a higher base (capacity) but, as of now, we’re using 7.6 million tonnes per annum per train.”

There is significant room to add new liquefaction capacity at the LNG site in Afungi, Cabo Delgado province, but the Rovuma partners first want to sanction the initial phase before looking at future plans in earnest.

“As soon as we can (sanction) the first phase, the teams will go on and look at the second and third phases,” said Kristiansen.

“We already have internal ideas about (these phases) and I do not rule out that we can double what we are already doing.”

He added that Rovuma can be a project with a capacity “north of 30 million tpa,” fed by 85 trillion cubic feet of gas held in Offshore Area 4.

Before Rovuma comes online, however, the Coral South floating LNG development is set to enter production in 2022.

Looking at the future LNG market, Kristiansen said Galp is “quite confident” that the current 4% per annum growth in gas and LNG demand will continue because it is an “important transition fuel.”

However, he stressed that because future gas prices will be volatile, “we must be able to get units costs down,” referring to the ongoing cost optimisation studies on Rovuma LNG.

Area 4 is operated by the Mozambique Rovuma Venture — a partnership of Eni, ExxonMobil and China National Petroleum Corporation — which has a 70% interest in the offshore asset.

The remaining partners are Galp, Kogas of South Korea and state-owned ENH, each with 10% stakes.

ExxonMobil is overseeing the project’s LNG aspects while Eni is responsible for the upstream facilities.

The two initial trains will be fed with 15 Tcf of gas from the Mamba field in Area 4.

A joint venture of Saipem and Subsea 7 is frontrunner to land a contract to provide Mamba’s subsea hardware.

Rovuma's trains will be built at the same Afungi site due to host facilities for Total's Mozambique LNG scheme that will be fed by gas from Offshore Area 1.