MINISTRY OF ENERGY

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Memorandum from the Parliamentary Office

National Assembly Question : 1397

Mr S J Masango (DA) to ask the Minister of Energy:

(1) (a) What were the reason for PetroSA's decision not to go ahead with the floating liquefied natural gas (FLNG) import terminal at Mosselbay;

(2) what was the cost involved for the feasibility research study on FLNG by Worley Parsons ;

(3) will other locations be considered as import terminals for FLNG; if not, why not; if so, (i) where and (ii) when? NW1762E

Reply:

(1) A study of Mossel Bay's suitability for an LNG terminal, undertaken by a leading international professional services firm, Worley Parsons, has determined that the location is technically and commercially challenging. The study found that the metocean[1] conditions in Mossel Bay are severe and would inevitably increase the logistical and overall gas supply costs of the project. The metocean conditions would result in:

a) High total terminal downtime and significant number of consecutive downtime days resulting in significant instances of low gas availability on a seasonal basis;

b) Anticipated demurrage is expected to be very high and the resulting negative impact on LNGC delivery schedule is expected to be very severe;

[1] Metocean is an abbreviation of two words: "meteorology" [scientific study of the atmosphere, focusing on weather processes and forecasting] and "oceanographic" [scientific discipline concerning all aspects of the ocean, including its physical and chemical properties, geology, etc.]

c) Cargo cancellations caused by schedule disruptions are also expected to be high; and

d) Lack of expandability as the FLNG terminal in Mossel Bay is limited to approximately 1.5 million metric tonne per annum (mmtpa) which would only serve the local Mossel Bay market.

(2) The costs involved for the feasibility research study on FLNG by Worley Parsons are estimated at R55 million. Various FLNG options were investigated in this study.

(3) Other locations are currently being evaluated for FLNG as well as a land based LNG terminal. These include Coega, Saldanha Bay and Richards Bay. The structural weaknesses of an FLNG option in the local environment as identified during the Mossel Bay Feasibility Study will be incorporated into the decision-making process.