



LNG in World Markets

Accelerate FSRU Fleet to Leverage Buoyant Market

Accelerate Energy is making operational and ownership changes to its floating storage and regasification unit (FSRU) fleet to try to maximize profits as demand continues to shift in Europe, Asia and Latin America.

The Texas-based company has 10 out of the world's 49 FSRUs, which are seeing increased demand following Russia's invasion of Ukraine. This boosted the company's revenue to a record \$2.5 billion and net income to \$80 million in 2022 from \$889 million revenue and \$41 million net income the previous year.

Hyundai Heavy Industries in South Korea is building an 11th FSRU for Accelerate that is set to be delivered in June 2026. Accelerate is the sole owner of seven FSRUs and was chartering the remaining three but in a new financial agreement will save costs by increasing its ownership to eight FSRUs.

The company exercised an option to buy FSRU Sequoia from Marshall Islands-based Anemoesa Marine for \$265 million. The vessel had been under a bare boat charter due to end mid-2025. When the deal closes in 2Q 2023 Accelerate will no longer incur the rental expense for chartering the ship, a move that is expected to increase adjusted EBIDTA by \$7 million per quarter. Funds for the purchase are from a \$250 million term loan that is part of a \$600 million amended and restated credit facility from Wells Fargo and other banks.

Excelsior temporarily deployed to Argentina

Accelerate has entered into a suspension agreement that will allow its Excelsior FSRU to be temporarily deployed at Bahia Blanca in Argentina from May 1 to mid-August during the southern hemisphere winter. It is not needed at present to serve its five-year contract as the second FSRU unit at the import terminal being developed by E.ON, TES and Engie in Wilhelmshaven, Germany.

With construction of the first phase of the 1.4-Bcf/d Nestor Kirchner pipeline linking the Vaca Muerta shale play to population centers along the coast expected to be completed this summer, Argentina anticipates that this year will mark its last big purchase of LNG. Although some future LNG purchases may be made to cover peak demand, Argentina plans to become an exporter. State-controlled energy firm YPF is betting on rising domestic production to develop a 5-MMt/y export project with Malaysian firm Petronas. A final investment decision (FID) is expected in 2024.

Accelerate plans to send Excelsior to Germany in 3Q 2023 where it will resume its original charter. Excelsior's South America deployment allows Germany to reduce chartering expenses this summer and provide energy security to Argentina, balancing the nation's natural gas system during its winter. The temporary deployment is expected to add between \$5 million to \$6 million of earnings before EBITDA and rent costs.

Bangladesh targeted

Excelerate is one of the FSRU providers in talks to supply an FSRU to state-owned natural gas company Petrobangla for the proposed 3.75-MMt/y Payra LNG offshore import terminal in Bangladesh. Excelerate is negotiating a long-term sales and purchase agreement (SPA) to secure LNG supply for the project as well as evaluating financing options and potential equity partners.

LNG prices have fallen this year allowing price-sensitive Bangladesh to restart spot cargo purchases. Excelerate sold a spot LNG cargo to Petrobangla in March but the government is seeking to enter long-term supply contracts in 2023 that would likely commence in 2026 or 2027.

No timeline for Albania unit

Excelerate's proposed Vlora LNG import terminal in Albania remains on the books, but a new timeline for project development has not been provided. It was originally to use the Excelsior, redeployed from Israel, but the FSRU was instead chartered by the German government (see map).

The proposed LNG import project was supposed to include an FSRU that would feed a 350 MW power plant. Excelerate bought power barges for the Albania project last year. A threefold increase in capex last year to \$119 million was partly attributed to buying power barges for the Albania project, plus a first installment on the company's new FSRU being built by Hyundai Heavy Industries in South Korea. Excelerate does not intend to spend more on Albania until it has more certainty around the project.

Market stays tight for FSRUs

The tight market for FSRU vessels is prompting some customers to extend charters to ensure energy security. In February, the Dubai Supply Authority decided to extend its time charter agreement for Excelerate's FSRU Explorer. Anchored at the Jebel Ali LNG import terminal, Explorer's contract was due to end in 4Q 2025. Under the terms of the new agreement, the time charter period will be extended by an additional five years.

LNG purchase aimed at vertical integration

Excelerate's first long-term SPA for LNG, announced on Feb. 28, will allow it to vertically integrate its business and help bring in new customers from downstream markets. Under the 20-year deal, the company agreed to buy 0.7 MMt/y of LNG on a free on-board basis from Phase 2 of Venture Global LNG's Plaquemines export terminal under construction in Louisiana.

Excelerate is said to be paying 115% of Henry Hub and a liquefaction fee ranging from \$2.40-\$2.45/MMBtu, with offtake volumes translating into roughly nine LNG cargoes per year. Viewed as low risk, the SPA deal was the last one signed for the Plaquemines LNG project. Venture Global announced a FID for Phase 2 less than two weeks after the SPA was signed.