

## News : Freeport LNG expects initial production in mid-December, subject to regulatory approval

By Harry Weber ,Corey Paul

Published on - Fri, 18 Nov 2022 11:55:10 EST | Modified on - Fri, 18 Nov 2022 13:31:11 EST

- New timeline is a delay of a month from previous target
- Three-train export facility offline since June explosion, fire

Freeport **LNG** expects initial production at the **US** liquefaction facility to resume in mid-December, subject to regulatory approval, the operator said in a statement Nov. 18.

That represents a delay of about a month from its previous target of mid-November, which has already passed.

The further delay of exports from the three-train, 15 million mt/year capacity terminal in **Texas**, which has been offline since a June explosion and fire, could be bullish for **Atlantic LNG** prices and bearish for **US feedgas** prices as the market had been expecting some incremental **LNG** supply to return this month. The new timeline is consistent with what people familiar with Freeport **LNG**'s plans said Nov. 14 -- that the facility was not expected to load any cargoes in November and possibly December.

"As of Nov. 14, the reconstruction work necessary to commence initial operations, including utilization of all three liquefaction trains, two **LNG** storage tanks and one dock, was approximately 90% complete, with all reconstruction work anticipated to be completed by the end of November," Freeport **LNG** said in a statement. "Proposed remedial work activities for a safe restart of initial operations have been submitted to the relevant regulatory agencies for review and approval. Subject to Freeport **LNG** meeting its regulatory requirements, it is targeting initial production at the facility in mid-December."

Freeport **LNG** has long-term offtake deals with **South Korea**'s SK E&S, **Japanese** utilities JERA and **Osaka Gas**, and **French** energy major **TotalEnergies**. Some counterparties have had to rely more heavily on the spot market for **LNG** supplies during the outage.

The operator said in its statement that each of Freeport **LNG**'s three liquefaction trains will be restarted and ramped up in a slow and deliberate manner, with each train starting separately before restarting a subsequent train. It is expected that approximately 2 Bcf/d of production will be achieved in January. Terminal capacity is around 2.3 Bcf/d. Full production utilizing both docks remains anticipated to be achieved in March 2023, Freeport **LNG** said.

Investigators with the **US Pipeline and Hazardous Materials Safety Administration** have been present at the site throughout the course of the probe and planned to be there to consider restart approval, said a person familiar with the situation.

Federal pipeline safety regulators on Nov. 15 released a heavily redacted root-cause analysis done for Freeport **LNG** by the consultancy IFO Group that cited overpressure of an **LNG** piping segment at the **Texas** export facility as the "direct cause" of the explosion and fire.

The report pointed to flawed operating and testing procedures and said that facility staff had failed to recognize a sudden pipe movement noticed before the explosion as the result of piping stresses from the over-pressuring of an adjacent piping segment. The report also cited "operator fatigue" as a "probable contributing factor" with most staff working overtime in the days and weeks before the incident. Freeport **LNG** said it was making a number of operational improvements, including a more than 30% increase in **LNG** plant staffing.

Spot **US Henry Hub**, along with the rest of Southeast and East **Texas** cash prices, fell about 15 cents on the day to \$6.05/MMBtu for Nov. 19-21 flows, while in the forwards market, the **Henry Hub** December contract slid by roughly 10 cents to \$6.25/MMBtu, according to S&P Global Commodity Insights. The Platts FOB **Gulf Coast** Marker was assessed at \$19.85/MMBtu Nov. 18, down \$1.65/MMBtu versus Nov. 17 as an oversupply of **LNG** cargoes in the **Atlantic** for prompt delivery was having more of an immediate impact than the delayed restart at Freeport **LNG**.

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