



LNG shipping strategies for the 'golden age of gas'



By [Barry Parker](#) from New York

The LNG shipping panel last week in New York saw Golar LNG, Dynagas, Gaslog and Hoegh LNG outlining their strategies for the “golden age of

gas”.

Excellent panel discussions hosted by Poten & Partners, along with Bloomberg and the panelists, fielded questions from moderator Mike Tusiani on subjects ranging from future shipping needs, the wisdom of speculative ordering, the nature of “risk”, and queries about the wisdom of various company structures.

Tor Olav Trøim, representing the Golar group of companies, stole the show with his views on returns “we look for 20% - 25%” and strategies of staying ahead of the pack that is, continually fine-tuning a business model and moving into new sectors. On the widely publicised FLNG project, where Golar is converting an older LNG vessel at Keppel Shipyard into a floating production plant he opined: “It’s a good business...the risk is high...but the possible returns can be massive.” Trøim, known for his caustic wit, added: “Right now, we are unique in this niche, let’s hope that it stays that way.”

When talking to the owners of very expensive assets, the phrase “speculative ordering”, the subject of moderator Tusiani’s query, brought about varying reactions from the panelists. George Procopiou, from Dynagas LNG, explained that: “It’s not a problem....we’ve entered a golden age of gas”, an observation supported by other panelists who highlighted tremendous future demand for LNG movements.

Peter Livanos, from GasLog, talked about the huge macro growth outlook, supported by estimated future industry demand from Poten and Bloomberg, and noted an absence of risk “when you are adding to an existing and competent platform”. He did caution, “You should not be buying ships if you don’t know how to run them.”

A different take came from Sveinung Støhle, from Hoegh LNG who commented that: “In the FSRU sector, we need to have

a vessel on order...before we make a bid” on a project. Støhle stressed the long term nature of LNG shipping and that “we need to be in it for the long term.” In a general comment, Trøim expressed the view that we are near a cyclical low in LNG vessel pricing.

The subjects of public versus private, and of structures corporation versus Master Limited Partnership's (MLPs) proved to be contentious amongst the owners. Dynagas's Procopiou explained that investors would be happy, getting 7% - 9% yields from a project but not taking the enormous risks, and earning commensurate returns, that a sponsor might get putting projects together and then selling to an MLP.

Trøim chimed in, saying that MLP's were good for investors, but that MLP structures did not change the overall return of a project. Most of the panelists felt that big projects required public money, with lone dissenter being John Angelicoussis, who said: “We can fund [our deals] through internal capital,” and that he saw no need to seek public funding. Peter Livanos stressed that public listings imposed a discipline on valuations.

In summing up the two hour discussion, we can point to the polite repartee' between panelists with Procopiou who said “There's no one model for an LNG shipping company; each company is different”, and Angelicoussis, who replied: “There is one model, just fix your ships profitably.”

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