Maggio 2016

**Italy's OLT LNG slots confirmed for June-August**

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London, 18 May (Argus) — All the delivery slots allocated for the storage and regasification service at Italy's OLT terminal have been confirmed.

The OLT terminal had allocated five slots to the service, each for 135,000m³ of LNG — or 85.2mn m³ of equivalent pipeline gas.

The first cargo is expected to dock at the terminal on 24 June, with two more deliveries expected in July and two more in August.

The firms that had secured the slots had to confirm them by 16 May.

The service is meant to facilitate industrial firms buying LNG, but may also spur spot imports.

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# ITALIAN LNG AUCTION MAY SPUR SPOT IMPORTS

London, 13 May (Argus) — Italy's LNG storage and regasification service may spur spot LNG imports to the country's rarely‐used terminals.

The 2.5mn t/yr Panigaglia terminal received its first LNG delivery in 2016 (https://direct.argusmedia.com/newsandanalysis/article/1236420) on 9 May, after receiving only one cargo in 2015. And five more LNG cargoes are expected to reach the 3mn t/yr OLT terminal in June‐August, provided that all the slots allocated for the service are confirmed by the 23 May deadline. Switzerland‐based trading house DufEnergy won four out of five slots and has already secured three cargoes,traders said.

Panigaglia and OLT did not receive any cargoes apart from the peak‐shaving deliveries (https://direct.argusmedia.com/newsandanalysis/article/1122260) in 2015. There is little incentive for spot deliveries to Italy — despite PSV prices typically holding a premium to other hubs — because of higher regasification tariffs

(https://direct.argusmedia.com/newsandanalysis/article/1236701) and limited liquidity

Lower tariffs But lower tariffs for regulated services – such as LNG storage and regasification or peak‐shaving – may offer an incentive to delivery to Italy. OLT slots allocated under the LNG storage and regasification service cost around €849,825 (€0.94/MWh) for a 135,000m³ cargo compared with about €4.16mn (€4.61/MWh) otherwise, including the Stogit storage space that would come with the service. These figures do not include additional fees and transportation costs, which would total about €748,000, excluding customs duties.

The service was originally meant to facilitate direct imports from abroad for industrial customers. But trading firms can also bid, although industrial buyers had priority. This could allow a trading firm to make a delivery to the terminal for a much lower cost if they take up a slot for which there were no bids from industrial companies that reached the reserve price. Some of the slots were allocated to trading firms while others were allocated to companies that consume gas in Italy, OLT said. The average allocation price at the OLT terminal was €6.30/m³ of LNG for the storage and regasification service, which includes the cost of Stogit's storage space and the main regasification tariff. The regasification tariff is about €23.7/m³ of LNG outside this service.

The storage and regasification service was also cheaper than buying Stogit capacity. The average cost of 85.2mn m³ of storage space — the capacity that would be filled by a 135,000m³ cargo — was €962,776 at an auction held at a similar time for flat capacity (https://direct.argusmedia.com/newsandanalysis/article/1230797).

But not all of the 1bn m³ of Stogit space reserved for the storage and regasification service was allocated. Stogit has sold the remaining 518mn m³ as flat storage space (https://direct.argusmedia.com/newsandanalysis/article/1238972).

Less injection demand LNG deliveries under the storage and regasification service could reduce demand from other sources this summer, providing the slots are confirmed by 23 May. About 482mn $m^3$ of storage space was allocated to the service, with about 11.3bn $m^3$ of capacity sold as conventional flat and peak products. Stogit allocated 11.5bn $m^3$ of conventional space for the 2015‐16 storage year, when none was sold for the storage and regasification service.

Stogit inventories are already higher than average, and the stockbuild using regasified LNG from OLT and Panigaglia could curb injection demand later in the summer. LNG deliveries may boost injections most in July‐August. Just one 69,000$m^3$ cargo was delivered to Panigaglia for the service in May, when Stogit's commercial injection capacity was set at 79.1mn $m^3$/d.

OLT is expected to receive one 135,000$m^3$ cargo in June, followed by two similar‐sized deliveries in July and another two in August. Sendout from these cargoes could take up some of Stogit's commercial injection capacity, which may reduce demand for gas from other sources for injections.

And if brisk LNG sendout helps boost the stockbuild in June‐August it could result in commercial injection capacity being cut quickly towards the end of the summer.

No boost to winter supply But the LNG deliveries for the storage and regasification service might not boost winter supply, even with the sendout expected to be added to Stogit sites. The space filled via the storage and regasification service would otherwise have been available as flat capacity. And given that Stogit has sold all the capacity it has offered this summer, the space might have been filled with supply from other sources if the storage and regasification slots had not been allocated.