

This abstract will be presented during LNG2023 conference on 10-13 July in Vancouver, Canada among many other innovative projects, ideas and outlooks. LNG2023 will provide a unique platform for the global LNG industry and key stakeholders to discuss, debate, and showcase the latest industry developments and opportunities.



LEAD AUTHOR

Thomas Zeal

Senior Consultant, Technical Due Diligence – Natural Resources & Energy Transition, Merlin Advisors

PRESENTED BY _____ HOSTED BY _____



CO-AUTHORS

None

ANALYZING THE EFFECT OF COST ESCALATION ON LNG PROJECT DEVELOPMENT

Global natural gas prices are at their highest level, caused by unprecedented demand for LNG in both Europe and Asia. Supply is tight, exacerbated by the war in Ukraine and the fact that only a handful of projects have entered operation recently because of a dearth of final investment decisions (FIDs) between 2017 and 2018. Given the current market conditions and supply outlook, new projects are looking to move forward and take FID; however, this does not come without challenges. The world is experiencing a surge in inflation with project costs rising – but what does this mean for project development and economics?

LNG projects are sensitive to cost rises given the considerable scale and long-term nature of the investment. Significant capital is required to deliver a project, and this inherently brings numerous risks. For example, 10% cost inflation can add more than US\$1 billion to the overall cost of a project. Not only are projects that are attempting to reach FID affected, projects under construction, which have already been hit by issues caused by the COVID-19 pandemic, are now having to manage cost escalation.

This paper reviews the effect that surging inflation is having on the LNG industry. This paper provides analysis on the factors that are driving the cost increases; how much costs are rising in the LNG sector; what projects and contractors are doing to mitigate cost increases and risk; and what cost rises mean for decision-makers and project development.

To view the full conference agenda, visit <https://www.lng2023.org/lng-programme-overview>