Daily Express
50 YEARS OF FEARLESS JOURNALISM
Trinidad Express Newspapers

BP confirms plans to 'decommission' Train 1

By Joel Julien
joel.julien @trinidadexpress.com

THE shareholders of the restructured Atlantic LNG, bp, Shell, and the National Gas Company of Trinidad and Tobago, have agreed to separate Train 1 from the rest of the Atlantic facility in preparation for its permanent shutdown, according to the latest annual report of energy giant bp.

'The Atlantic Train 1 plant has not been operational since 2020. The Atlantic shareholders, bp, Shell and the National Gas Company of Trinidad & Tobago (NGC), agreed to decouple the Train from the rest of the Atlantic facility with a view to decommissioning it.

The Train has been made safe and decoupling and decommissioning work scopes are being planned,'bp stated.

'In 2023 bp, Shell and NGC agreed to and executed the agreements for the restructuring of the ownership and commercial framework of the Atlantic LNG facility. The new ownership and commercial structure have been agreed for Trains 2 and 3 and took effect from 1 October 2024.

Train 4 (T4) contracts expire on 1 May 2027, at which time, T4 will be rolled into the restructured arrangement. bp's shareholding averages 43% across the two companies which own the LNG trains comprising the LNG facility,'it stated.

In its 2024 annual report, released on March 6, BP stated that the restructured ownership and commercial framework of Atlantic LNG al- lows for "an intensified focus on operational effi ciency and reliability and provides the certainty required for sanctioning the next wave of upstream gas projects.'

The total gross capacity of the LNG trains 2, 3 and 4 is approximately 12 million tonnes per annum, bp stated.

The Four Trains

"Train 1 officially be gan commercial operations on March 13, 1999, becoming the first LNG facility to operate in the AtlanticBasinandthesecond in the Western Hemi- sphere. The first shipment of LNG left Trinidad and Tobago on May 1, 1999, bound for Boston, Massachusetts,' according to Atlantic LNG's website.

Train 1's ownership was divided as follows: Shell – 46%, BP – 34%, NGC – 10%, and China Investment Corporation (CIC) – 10%.

'Trains 2 and 3 are characterized by an identical design, footprint, and capacity. Trains 2 and 3 supply approximately 12,000 barrels of NGLs to Phoenix Park Gas Processors Limited (PPGPL) under a long-term agreement,' according to Atlantic LNG's website.

Train 2's ownership was split between Shell – 57.5% and BP – 42.5%.

'At the time it was constructed in 2005 and for the first few years of its operation, Train 4 was the world's largest LNG train, with a capacity of 5.2 million tonnes of LNG per annum. Train 4 began commercial operations on May 1, 2007, and also supplies NGLs to Phoenix Park Gas Processors Limited (PPGPL) under a long-term agreement,' according to Atlantic LNG's website.

Train 4's ownership was divided as follows: Shell – 51.11%, BP – 37.78%, and NGC – 11.11%.

In 2018, the Trinidad and Tobago Government initiated discussions with bpTT and Shell T& T to explore the possibility of restructuring Atlantic LNG.

CIC, which holds an equity interest in Atlantic LNG Train 1, did not actively participate in the restructuring negotiations but engaged in discussions with shareholders and the Government.

Restructuring

In March 2019 the shareholders of Atlantic LNG signed a letter of intent to discuss with Government the restructuring of Atlantic LNG.

In February 2020 the shareholders submitted a proposal to Government to commence negotiations on a Heads of Agreement which was to be followed by definitive agreements. Train 1 was operational until the fourth quarter of 2020.

'NGC was in a position where there were firm upstream commitments to take the gas, but there was also great uncertainty regarding downstream demand for 2021 due to ongoing negotiations with several large petrochemical consumers. Closure of negotiations was exacerbated by fears of a second and third wave of COVID impact on industrial demand. Throughout 2020, due to COVID impacts and resulting depressed commodity prices, several of the downstream plants made the decision to shut down their operations, at least temporarily, rather than accept natural gas. This resulted in losses for NGC,' NGC had stated in October 2021.

'Throughout 2020, plans were already in place for Train 1 to undergo a TAR in Q4 2020 but this was paused given uncertainty in the gas supply situation. Atlantic advised that the only available timing to execute the TAR on Train 1 was January 2021, should it be necessary to keep the train in a state of readiness if the situation ever arose where gas became available for processing at the plant. If that maintenance did not take place by January 2021, the next available window would be August 2021 given that there was already planned maintenance scheduled for the other trains,'it stated.

NGC's $244m injection NGC remitted $224 million to Atlantic for Train 1 2021 expenditure including turnaround (TAR) costs.

'There was a real prospect to earn value through a refurbished Train 1, and a high probability at the time to be able to utilise gas that NGC already paid for by diverting volumes rejected by the downstream as they were seeking contract terms that were uneconomical to the Company,' then NGC chairman Conrad Enill stated.

NGC stated that in consultation with the government the decision was made to cover the entire cost for the maintenance of Train 1 but would be entitled to 100% of the LNG produced to cover the Train 1 costs, which would have given NGC the opportunity to recover all costs and make an upside margin
given the uptick in LNG pricing in 2021.

The turnaround at Train 1 was completed, but the facility was unable to resume operations.

'Upon completion of the maintenance work, Atlantic informed NGC there was a process safety issue with the plant that needed to be resolved before the plant could start production. With other planned turnarounds and COVID restrictions, this delayed the window to start up Train 1,' NGC stated.

'At that same time, global commodity prices were on the uptick, resulting in the downstream companies seeking to reach agreement with NGC to receive gas volumes for the longer term. NGC remained focused on reaching mutually acceptable economic terms with the downstream companies in 2021. The new circumstances for the downstream also meant the volumes of gas that could have potentially been diverted to Train 1 were no longer available,' it stated.

NGC said closing Train 1 at a time of complex and sensitive Atlantic unitisation negotiations would have placed the government and NGC's equity in a disadvantageous position over the long term, given the strategic importance of the Train as a revenue generator for the country.

'It would have also meant possibly losing valuable capacity for the future forever, or alternatively all shareholders having to pay hundreds of millions of dollars to either preserve the Train for the long term or decommission the plant permanently,' it stated.

On December 5, 2023, the government , NGC, bpTT and Shell T& T Ltd, finalised the new unitised commercial structure for Atlantic LNG.

"After five years of active negotiation and planning, the threshold was crossed when the shareholders settled on an agreement that will govern the restructure and harmonisation of the commercial terms across Atlantic's Trains
2/3 and 4. The restructure positions Trinidad and Tobago to profit more from the LNG business, as NGC will have increased equity in the facility,' NGC stated in a release on December 5, 2023.

Under the new commercial structure of Atlantic, NGC-through its shareholder company, NGC Trinidad and Tobago LNG Limited (NGC LNG)-acquired a 5.7% shareholding interest in Trains 2 and 3, effective Octo ber 1, 2024. This stake will further increase to 10% in May 2027 when Train 4 is incorporated into the new commercial arrangement.

Shell and BP each hold an equal 45% stake.

Last year NGC shipped its first two cargoes of LNG from Atlantic's Trains 2 and 3 since the commercial restructure of Atlantic in December 2023.

The shipments left Atlantic's facility in Point Fortin on November 26 and December 6 2024, bound for Italy and Egypt respectively.