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MARKET DYNAMICS

MET Group Seeking LNG For German Downstream Buyers

Switzerland-based trader MET Group is interested in supplying LNG to large German industrial companies and municipal utilities, according to the CEO of the company's German subsidiary MET Germany, Joerg Selbach-Roentgen. Negotiations are currently underway with global LNG suppliers, with the expectation that new deals will lead to more long-term supplies for Europe's largest gas importer.

The German market, much like the rest of Europe, remains relatively complacent over securing long-term LNG supplies to avoid the pricing volatility and shortages experienced after Russia invaded Ukraine in 2022. "I'm not happy yet with the efforts that Germany made in terms of substituting Russian flows in regard to LNG. It is one thing to have the infrastructure ready, which needed to be built in record speed, but there is no magic happening in LNG coming to the market," Selbach-Roentgen said. "On a larger scale, there hasn't been enough long-term contracts in the market. Germany doesn't only need the molecules but the signal from the market that some of these contracts are coming, that would give stability." Last week, German state-owned SEFE Securing Energy for Europe clinched a 20-year deal with US developer Venture Global for 2.25 million tons per year of LNG from the planned CP2 facility.

Aligning the interests of European downstream buyers and global LNG suppliers has been difficult. Buyers cannot commit to LNG suppliers' demand for 20-year contracts due to their decarbonization targets and the typical three-to-four year contract horizon for German industrial clients. Downstream buyers are also hesitant due to their inexperience with LNG, Selbach-Roentgen said. "LNG contracts are still uncharted territory for this customer segment," he said. "This is not at all comparable to the typical OTC [over the counter] trade on a standardized contract. We're talking long-term here: sizeable collaterals, different payment terms, as well as indexes like Henry Hub which they [industrials] do not know in detail. At the same time, having a portion of back-to-back sourced long-term LNG in their portfolio offers a lot of price transparency to the customer."

To cover the gap in the expectations between producers and downstream buyers, MET Group is willing to step in on behalf of its clients and manage the risk of clinching long-term supplies of over 10 years. MET Group's global footprint and LNG experience gives the company the skillset to deal with these risks or challenges if fossil fuel phaseout plans get more definitive in Germany, such as being able to divert contracted LNG volumes to the Asian market, Selbach-Roentgen said.

MET Group, which has been operating in Germany since 2021, has agreed on non-binding memorandums of understanding for LNG with German industrials and municipal utilities whose annual demand represents almost 20% of German consumption. While all participants are diversifying and aiming for different percentages of LNG in their respective portfolios, Selbach-Roentgen believed such agreements acted as a "transparent and robust mandate" for the company to seek these supplies in the global market. MET Group has also booked long-term regasification capacity at the privately-owned 5.2 billion cubic meter/yr Deutsche Ostsee LNG import terminal operating in Lubmin since earlier in 2023. Last year, MET Group traded 109 Bcm of gas across Europe and imported over 2.7 Bcm of LNG into European terminals.

Setting Green Hydrogen Quotas

To build liquidity in Germany's budding green hydrogen market and ramp up infrastructure, Selbach-Roentgen suggests a regulatory framework of binding quotas. "My clear assessment is if you don't put the framework in place and rules and regulations, or let's say, the incentive to ramp up green hydrogen more, then you won't have the plants, proper import volumes, a clear path for offtakers, and how much we can or will electrify," he said. "We offered green hydrogen term sheets to industrial players and in line with my expectations, the industrials

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said it was too expensive. It is important to explain and advise customers in regard to realistic hydrogen price development."

For this reason, binding quotas would give the investment clarity for green hydrogen producers to build the electrolyzers needed to build supply and would give certainty for offtakers over volumes and price. Germany has set a target to build 10 gigawatts of green hydrogen capacity by 2030 but expects hydrogen demand to surpass 100 terawatt hours by the end of the 2020s.

Jaime Concha, Copenhagen