

LNG America's barge concept raises the clean-fuel stakes

Potential project for four barges could top \$152m as the Keith Meyer-led outfit takes the lead in the race for natural-gas propulsion — and there are strong chances that heavyweight Crowley Maritime Corp will be among its first customers

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Gas-industry veteran Keith Meyer has emerged as one of the masterminds behind a campaign to construct a series of LNG bunker barges worth up to \$150m that are poised to play a pivotal role in the evolution of North America's shipping markets.

Meyer is the chief executive of LNG America, which made headlines last week when it hired Jensen Maritime — a subsidiary of Crowley Maritime Corp — to design a unit capable of shuttling cargoes from storage depots in the US Gulf to coastal distribution terminals and providing LNG fuel directly to ships in the same region.

The company failed to shed light on how much the 3,000-cbm barges will cost but market sources suggest it could range between \$18m and \$38m. This means the total cost of the project could end up topping \$152m, since the outfit plans to build as many as four units.

In an interview with TradeWinds, however, Meyer noted that each newbuilding would be equipped with between two and four cryogenic storage tanks and acknowledged that the size of the investment would depend heavily on how many tanks were incorporated in the design.

He says LNG America plans to place an order at a domestic shipyard within the next six months but admits management has only spoken casually with a handful of candidates. He indicates that it does not intend to build tugs, which suggests it will likely rely on an outside towage provider.

"Hiring an architect marked a major milestone for us so now we can focus on finding a cryogenic tank supplier, topside expert, classification society and all the other members of the team that will take the vessel from concept to reality," Meyer said.

The executive adds that LNG America has identified a number of reputable domestic equipment providers and hints that his company would prefer not to purchase cryogenic tanks and other components abroad, even though this would not impact the Jones Act eligibility of the barges.



► **BARGE CONCEPT:** An artist's impression of the LNG bunker barge (above). Below right, LNG America chief executive Keith Meyer.

Photos: LNG AMERICA UPDATED 9/8/2014

Meyer indicates that management is in discussions with potential sources of financing but declines to elaborate on how the fledgling Texas-based operator intends to fund the newbuilding project, which should be completed by late 2015 if all goes according to plan.

Initially, Houston-headquartered LNG America plans to rely on Cheniere Energy's Sabine Pass terminal in Louisiana as its primary source of LNG after striking an "agreement in principle" for supply.

When asked to elaborate, Meyer said "final negotiations" with his former employer were "ongoing".

INVESTMENT SPECULATION

The relationship leads some to believe the terminal developer plans to invest in the project or the company itself, a possibility Meyer highlighted in a corporate presentation delivered during a natural-gas conference in September last year.

Meyer's top lieutenant, David Schultz, says LNG America intends to deploy its initial fleet of barges in the US Gulf. It also hopes to establish a presence in other parts of North America at some point in the future by sealing alliances with other suppliers and strategic partners.

"The US Gulf is home to seven of the top 10 major ports in the US

Keith Meyer: Our hope is that we can work with other early movers to foster a co-operative environment so we can address the infrastructure issue as an industry, together as a community.

and the number-one bunker port, the port of Houston," he said when pressed about the choice of location. "It is also the epicentre of the large-scale LNG supply development in the US."

While many of the dual-fuel containerships under construction in the US are hoping to procure LNG fuel on the nation's eastern and western coasts, Schultz says LNG America plans to target the growing number of products tankers that are operating in the US Gulf.

Meyer admits that many domestic operators are apprehensive about equipping newbuildings or converting existing ships to use LNG for gas-fuelled propulsion systems. He is confident his company's campaign will alleviate concerns about the availability of LNG bunkers.

"Demand for a low-cost, clean-burning fuel is on the rise but there is no doubt that many shipowners are worried about availability," he said. "That is why we are determined to make [LNG fuel] available when needed, where needed and in the quantity needed."

"Once that supply recognition is there, I think you will see much more willingness to install LNG-capable equipment. It has been a classic chicken-and-egg situation, until now.

"At the end of the day, our hope

is that we can work with other early movers to foster a co-operative environment so we can address the infrastructure issue as an industry, together as a community."

"When LNG America first announced its partnership with Jensen Maritime, observers were quick to point out that the Seattle-based engineering firm is a subsidiary of diversified US owner Crowley Maritime, which has two LNG-powered conros on order at VT Halter Marine.

They note the same firm is managing the construction of four products tankers its Jacksonville, Florida-based parent penned at Aker Philadelphia Shipyard last year. At the time it said the units would be built "with consideration for the use of LNG for propulsion in the future".

'HANDFUL OF COMPANIES'

Since LNG America plans to sell LNG fuel in the US Gulf by 2015 and Crowley expects the first of up to eight 50,000-dwt tankers to start hitting the water around the same time, sources believe there is a strong chance Crowley will be among the company's first customers.

"There are only a handful of companies in the race to be among the first providers of LNG fuel in North America but, of the current candidates, it is unclear which



will be able to get their businesses off the ground," said one market source with ties to the Jones Act shipping markets.

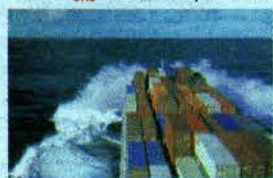
"Given the reputation of LNG America's management team and the partnerships with Cheniere and Jensen, which I view as a vote of confidence from Crowley, I would say this company stands out as one of the few that can actually turn their dream into reality," the source said.

The same industry source notes that Crowley has been exploring the natural-gas segment on multiple fronts for some time and landed at the front of a queue for an LNG export licence in the US when it completed the takeover of Carib Energy in June last year.

At the time, a top executive with the company's petroleum transport division indicated that the outfit was already exploring the possibility of building its own LNG carriers but admitted pen was unlikely to meet paper anytime soon due to infrastructure constraints.

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