

Business Review continued



# Stolt-Nielsen Gas Investing in new opportunities

Stolt-Nielsen Gas (SNG) is an investment arm of Stolt-Nielsen Limited, focusing on the liquefied natural gas (LNG) segment, with holdings in Avenir LNG Limited (Avenir) and Golar LNG Ltd.

With the recent implementation of International Maritime Organization (IMO) 2020 regulations that reduced the sulphur emissions cap on marine vessels to 0.5%, along with growing pressure for increased environmental responsibility, demand for LNG – the cleanest burning fossil fuel – is increasing. Over recent years, Stolt-Nielsen has made increasing investments in LNG. We see significant opportunities to be realised through our strategy of applying our expertise in shipping, storage and distribution to the gas segment.

In October 2018, a \$182.0 million investment partnership in Avenir, was announced by Stolt-Nielsen Gas (50%), Golar LNG (25%) and Höegh LNG Holdings (25%). Following a subsequent 10% placement on the Norwegian OTC market (N-OTC: Avenir), SNG retains a 45% share of Avenir.

Avenir sources, ships, stores and distributes LNG to off-grid customers with no or limited access to natural gas – what is known as ‘stranded demand’. Avenir supplies LNG to most of its customers in liquid form and also provides customer-based storage and regasification facilities where required.

Through Higas S.r.l, in which Avenir has an 80% stake, construction of an LNG terminal in the port of Oristano, Sardinia, Italy has begun. Avenir will source and ship LNG to the terminal, then distribute it to customers via pipelines and trucks. The terminal is due for completion in August 2020.

To support the terminal and future downstream opportunities, Avenir is building six small-scale LNG carriers (LNGCs) that will be delivered during 2020 and 2021. Keppel Marine, will deliver two 7,500 cubic metre (cbm) LNGCs, the first by mid-2020, from their yards in Nantong, China. In 2021, Sinopacific Offshore & Engineering (SOE) will deliver two 7,500 cbm LNGCs, and two 20,000 cbm LNGCs from their yards, also in Nantong. Each of the ships is designed to perform safe ship-to-ship bunkering.

In October 2019, together with MISC Berhard, Avenir signed a term charter with Malaysia’s national oil company, PETRONAS. Avenir’s first 7,500 cbm LNGC will be based in Malaysia, enabling Petronas to provide bunkering to LNG-fueled vessels, plus transport services for small-scale terminals in the region. In November, Avenir announced a term charter with Golar Power to deliver LNG using the second 7,500 cbm LNGC to various ports in Brazil, as well as providing ship-to-ship bunkering.



Over the longer term, Avenir plans to develop new markets through small-scale LNG import solutions, invest in additional tonnage where necessary and expand its network of strategic bunkering locations.

Stolt-Nielsen Gas reported an operating loss of \$4.1 million for 2019. The losses were mainly attributable to costs related to the continued development of various small-scale LNG projects.

Avenir’s results are reported as a joint venture, and the share of losses attributable to SNG are recorded on the Income Statement. Changes in the share price of the Golar investment are reported as Other Comprehensive Income.

During the fourth quarter of 2019, Stolt-Nielsen sold its investment in Avance Gas Holdings Ltd for \$25.9 million. The \$10.8 million gain on the sale was recorded to retained earnings.

SNG also owns a 2.3% stake in Golar LNG, one of the world’s largest independent owners and operators of marine-based midstream infrastructure in liquefaction, transportation and regasification.

## Performance

(US \$ millions)	2019	2018	2017
Operating Revenue	-	-	-
Operating Profit	(4)	(11)	(14)

**45%** ownership of Avenir LNG

**2.3%** ownership of Golar LNG

**6** LNG carriers under construction