

OLT terminal launches Italy's new LNG regas capacity auction regime



OLT Offshore LNG Toscana (OLT) is confident of boosting utilisation rates under the new auction regime for regasification capacity

OLT Offshore LNG Toscana (OLT) has formally agreed with Italy's Gestore Mercati Energetici (GME) the procedures by which regasification capacity at its floating storage and regasification unit-based receiving terminal off the coast of Livorno will be allocated in future.

The agreement is part of the implementation of a new regime in which regasification capacity at Italy's three terminals – the other two being Adriatic LNG and Panigaglia LNG – will be assigned through auctions in which shippers will have to bid above the reserve price.

Under the new system, annual capacity will be allocated through ascending clock auctions, managed by GME by means of its Platform for the Allocation of Regasification Capacity (PAR) programme. Short-term capacity is set to be awarded through pay-as-bid auctions while any unsold short-term capacity will then be available on a first-come-first-served basis.

The PAR Platform for hosting auctions entered into operation for OLT Offshore LNG Toscana and Adriatic LNG on 1 April 2018 on the basis of the regasification auction calendars set down by the receiving terminals.

OLT will launch its first monthly auction on 10 April 2018 for the regasification capacity available from May to the end of September this year. The terminal operator's calendar for this period is published on the OLT website.

To participate in the Italian terminal regasification auctions users will have to fulfil the following obligations:

Sign a capacity agreement in accordance with the relevant provisions of each terminal's Regasification Code.

Provide adequate credit requirements in accordance with the Code's provisions.

Be enabled to operate through the PAR platform, further information on which is given on the GME website.

Although terminal operators are free to choose whether to offer the PAR platform, both OLT and Adriatic LNG have opted to use this route for auctions of any available regasification capacity. The aim is to make their services in the international marketplace more attractive, as Italy's former, relatively high regasification tariffs tended to discourage spot shipments to the country's receiving terminals.

OLT stands to be most impacted by the new auction regime as the relatively small Panigaglia terminal cannot accommodate conventional size LNG carriers, while over three-quarters of Adriatic LNG's capacity is utilised in handling cargoes received under long-term contracts with Qatargas and Edison.