



# SEMAPHORE

Newsletter of the Maritime Law

Association of Australia and New Zealand



## President's Message

LNG Floating Storage Regasification Units (FSRU) have recently come to prominence in maritime and offshore circles. They have the potential to have a significant impact on the LNG sector worldwide and are said to be “a game changer.”<sup>1</sup> As their name indicates, the units are, in effect, floating LNG import terminals which have the capacity to transport, store and regasify LNG on board. They have been called “a special type of ship used for LNG transfer.”<sup>2</sup> The process enables direct delivery of natural gas to the end user through either a pipeline or a grid system. One of the main advantages is said to be that the heating and liquification processes are carried out onboard the facility itself without the need to discharge the fuel in a semi-frozen slushy state.

The units have been hailed as providing an efficient, cost effective and flexible (they can be relocated) solution to logistical difficulties which are often encountered in importing LNG. The cost and time efficiencies are well documented when compared to the onshore solutions on offer

The concept is not new, having been in operation since approximately 2005. However, the market growth in the last 10-12 years has seen their demand increase. Significant drivers for the increased demand for FSRUs include the growing need to suitably cater for variable/seasonal gas demands and the increasing domestic energy consumption.

It is reported that there are over 25 existing FSRUs in operation with over 13 under construction,<sup>3</sup> and a number of proposed projects under consideration.

Whether the units will be classified as “ships” or as “offshore installations” remains to be seen. Much may depend on the technology employed and whether the FSRU is installed as a separate unit onto an existing LNG carrier or whether the technology is deployed by converting a gas carrier into a FSRU which is then installed at an offshore location.

With the complexities of definition still to be worked out, this is an area of law which will undoubtedly be of interest to members. For those interested in reading more about FSRUs, we refer to a paper prepared by the Oxford Institute for Energy Study (University of Oxford) titled “The Outlook for Floating Storage and Regasification Units (FSRUs)” dated July 2017.

Pat Saraceni  
President, MLAANZ  
Director, Litigation and Dispute Resolution, Clifford Chance  
Level 7, 190 St Georges Terrace, Perth, Western Australia, 6000  
+61 8 9262 5524, +61 419 784 206  
pat.saraceni@cliffordchance.com

June 2018

<sup>1</sup> DataFusion Associates, “FSRU’s – the great same changer” January 2017.

<sup>2</sup> Marine Insight, “What is a Floating Storage Regasification Unit (FSRU)?”, <https://www.marineinsight.com> accessed 12 June 2018.

<sup>3</sup> Flex LNG Management Ltd, “Industry”, <https://www.flexlng/fsru/> accessed 12 June 2018.

