

US company Sycar targets LNG exports from Venezuela by 2024

Miami-based Sycar has signed a memorandum of understanding (MoU) with Petróleos de Venezuela (PDVSA) regarding the development of a floating liquefaction (FLNG) project in north-eastern Venezuela. The plan is to export LNG from Venezuela to regasification terminals in Latin America and Europe by 2024, however the project is not without risks given the backdrop of US sanctions and the political instability in the country.

Sycar said it expects the FLNG unit to be deployed in the Industrial and Petrochemical Complex José Antonio Anzoátegui (CJAA) in Barcelona, located in the state of Anzoátegu, where “existing infrastructure will allow fast-track development.”

The company said it had applied to the US Office of Foreign Asset Control (OFAC) for a licence to engage in liquefaction and export of LNG from Venezuela. PDVSA remains sanctioned by the US and special approval from OFAC will be needed to do business with the company.

Sycar said it will start the process of permitting with local authorities in Venezuela to obtain a marine concession and environmental licence for operations. The company said preliminary surveys indicate “favorable metocean and oceanographic conditions for the operation of the FLNG.”

The plan is to export the LNG to regasification terminals in Latin America and Europe. To this end, Sycar is further developing a small-scale LNG regasification terminal in the El Oro Province of Ecuador.

In January 2022, the terminal received its first LNG in two 40 feet iso-containers. The second phase of the project includes a 20,000 cubic meters FSU with ship-to-truck loading facilities and is planned to start in 2023, according to GIIGNL. There are also plans for a floating storage regasification unit (FSRU) in El Oro which could be operational by 2025.

Sycar is, in addition to being an engineering firm, also a trader of commodities in international markets including oil and gas. To this end, the company said the Venezuelan FLNG project would “reduce the exposure to gas price volatility in international markets.”

A spokesperson for Sycar told Gas Matters Today that Venezuela has volumes of stranded gas that are now being flared in the states of Monagas and Anzoátegui within the Oriente Cryogenic Complex.

“The Oriente Complex has a system with a capacity for gathering and transmitting 2,900 MMcf/day, but is currently only processing a fraction of that,” he said. “SYCAR's project would increase the capacity of associated gas processing within the complex, reducing in some the unrestricted flaring of gas, a fact that is in line with the US Administration's environmental goals focused on reducing gas flaring and greenhouse gas emissions in the Western hemisphere and on a global scale.”

If the project is permitted, LNG could be exported from Venezuela by 2024, the spokesperson added.

Jeremy M. Martin, Vice President, Energy & Sustainability at the Institute of the Americas told Gas Matters Today that potential LNG imports from Venezuela would not solve Europe's energy crisis anytime soon.

“There is a great deal of interest and hope that Venezuela's massive gas reserves could be a solution for the European energy crisis,” Martin said. “However, the reality in Venezuela and the inability over several years to develop their gas into LNG export projects underscores that this will not be a near term or short term solution for the European energy crisis.”

US hurdle

However, getting permission from US authorities to circumvent sanctions against PDVSA could represent a major hurdle. The Venezuelan oil sector is sanctioned by the US although there are signals the Biden administration is considering relaxing sanctions to allow Chevron recommence production in the country for exports.

One market observer told Gas Matters Today that the project looked “super risky given all the sanctions.”

“I am wondering if they are hoping the sanctions will subside given the Russia issues and potentially Venezuela getting off the hook a bit,” the market observer said.

Sycar is not alone in wanting to tap into Venezuela's gas reserves for LNG exports.

Previously Trinidad and Tobago had signed an agreement with Venezuela to jointly develop the Loran-Manatee gas field that straddles their maritime border, however the pact was cancelled in 2020 due to US sanctions on PDVSA. Trinidad has been hoping to secure volumes for the Atlantic LNG plant.

Martin said the ongoing discussions between the governments of Venezuela and Trinidad and Tobago to use existing infrastructure seemed to be a more feasible medium term solution for monetising Venezuelan gas via LNG.

“But again if the idea to solve Europe's near term i.e. 18 to 24 month energy crisis with Venezuelan gas unfortunately is probably not a realistic solution.”

Venezuela produced about 24 Bcm of gas in 2021, about the same as its consumption, according to BP statistics. In 2017, production was close to 39 Bcm. Venezuelan President Nicolás Maduro has stated that he plans a recovery and expansion of the country's gas sector.

“Venezuela has a portfolio of more than 50 first-rate gas projects. With the seismic studies done

and with all the legal guarantees so that the international investors that come, [we] have all the guarantees to produce gas in our country and to take it also to international markets," he said in September this year, according to a statement on PDVSA's website.

Sycar has been doing business in Venezuela for years; it was involved in the development study for three of the Junín blocks of the Orinoco Oil Belt and was also the project manager for the manufacturing of LPG cylinders in China for the Venezuelan Market in 2018. - AW