

Italian players see opportunities in China's Silk Road

Silvia Favasuli / London



China's interest in Italy's ports might increase maritime traffic and boost the Mediterranean country's plan to become an LNG bunkering hub.

CHINA'S PLANS TO extend its 'Maritime Silk Road' into Europe could prove a major coup for Italy's LNG shipping sector.

China's leadership "has clearly stated its intention of investing in [the ports of] Genoa and Trieste", Italian Prime Minister Paolo Gentiloni told reporters in May. He added China was drawn to the ports' strong rail and road links with Central Europe.

Industry sources say the projects will increase maritime traffic along the Italian coast, giving a boost to the country's plan to become the hub for LNG bunkering in the Mediterranean.

"If China decided to use LNG-fuelled commercial vessels to reach Europe, this [interest in Italy's ports] would be great news for us," a spokesperson from Italian company Gas and Heat told *Interfax Natural Gas Daily*. Gas and Heat is a partner in HIGAS, the joint venture developing an LNG storage project in Santa Giusta, Sardinia. The project is scheduled to start up in 2017 and by 2019 will be equipped with two small barges able to provide ship-to-ship LNG transfers.

Energy company Edison – which is developing two small-scale LNG storage sites with bunkering facilities in Oristano and Ravenna – is also looking with interest at China's intentions, a source close to the company told *Interfax Natural Gas Daily*.

"We are considering Augusta and Napoli as locations for a third coastal storage site," the source added. Edison also holds the commercialisation rights to liquefied gas at the Rovigo terminal and is intending to use its own LNG to supply the planned coastal storage facilities.

Although it is hard to predict the potential increase in Italian maritime traffic as a result of China's investment, the expansion of the Greek port of Piraeus after its acquisition by Cosco – China's largest shipping company – is a good indication.

The Rovigo LNG terminal in the Adriatic Sea. (Edison)



"The number of containers handled in the port has quintupled in [only a] few years," Marco Marazzi, founder of thinktank Easternational, told *Interfax Natural Gas Daily*.

According to Davide Tabarelli, owner of Nomisma Energia, traffic will increase by 20% in five years.

"It will have for sure a positive effect on Italian bunkering facilities, but it won't change flows [of vessels] in the Mediterranean radically. International trade is not in a phase of expansion," he told *Interfax Natural Gas Daily*.

For Giorgio Prodi, an associate professor at the University of Ferrara and a research fellow at the Torino World Affairs Institute, it is also a matter of Europe's future economic politics. "Will we still have free market policies, or more protectionism?" he said.

Low emission fuels

But the hopes of Italy's LNG bunkering sector rest on whether Chinese vessel operators choose to use LNG over other low-emitting fuels.

Hopes were raised earlier this month when the Chinese port of Ningbo-Zhoushan, located south of Shanghai, joined the LNG Bunkering Port Focus Group, an international industry body that aims to develop a network of LNG bunker-ready ports from Asia to Europe.

The government of the Chinese municipality of Chongqing set a target last year to have 200 LNG-powered vessels operating along the Yangtze River by 2020, but no targets have been set so far for large commercial vessels in international waters.

Lorenzo Matacena, a Sicilian shipowner who has been lobbying for the development of LNG facilities in Italy, fears China will resort to emissions scrubbers rather than convert vessels to run on LNG. He said the low cost of bunkering fuel oil relative to LNG would make it hard for LNG to gain market share.

According to Abhishek Kumar, senior energy analyst at *Interfax Global Gas Analytics*, "the average cost of LNG in Asia is currently at a premium of around 15% to bunkering fuel oil, which remains a deterrent to the former's use in shipping".

However, a shortage of scrubbers may force China to resort to LNG, Wood Mackenzie said in a report earlier this year.

"The shipping industry is traditionally slow to move, but in this case, early adopters [of scrubbers] may hugely benefit," said Sushant Gupta, the report's author. ■

We welcome your comments. Email us at comments@interfax.co.uk.