

Slide 1: Evolution of the LNG Industry in the US – Insights from a Ship’s Agent

GOOD MORNING, MY NAME IS JOHN REYNOLDS AND I AM CHAIRMAN OF RICE, UNRUH, REYNOLDS, A GAC COMPANY. IT’S GREAT TO BE BACK IN OSLO. I FIRST CAME HERE AT THE TENDER AGE OF 17, A YOUNG MAN ON MY FIRST TRIP TO SEA ABOARD THE TRAINING SHIP “EMPIRE STATE” IN 1961. I CAN STILL RECALL THE EXCITEMENT OF VISITING MY FIRST FOREIGN PORT AND THOSE EYE-OPENING TRIPS TO FROGNER PARK. FOUR YEARS LATER, IN 1965, I WAS BACK - NOW ON MY FIRST JOURNEY AS A THIRD MATE ABOARD THE MOORE MCCORMACK LINES’ “MORMACBAY”. AT LAST, I COULD GO AND BUY THAT SKI SWEATER I COULDN’T AFFORD ON MY FIRST VISIT. 42 YEARS LATER, I STILL HAVE THAT SWEATER AND MANY FOND MEMORIES OF THIS WONDERFUL CITY.

RICE, UNRUH, REYNOLDS WAS FORMED IN PHILADELPHIA IN 1851 AND HAS BEEN IN THE US SHIP AGENCY BUSINESS EVER SINCE. IN 2005, WE BECAME PART OF THE GAC GROUP, AND IN THE U.S., WE NOW CALL OURSELVES GAC-RUR.

Slide 2: About the GAC Group

THE GAC GROUP OFFERS WORLDWIDE SERVICES TO THE MARINE INDUSTRY THROUGH THEIR FOUR BUSINESSES GROUPS: SHIPPING, LOGISTICS, MARINE AND GAC SOLUTIONS. IT IS A TRULY GLOBAL ORGANIZATION WITH MORE THAN 7300 STAFF IN OVER 250 OFFICES ACROSS 50 DIFFERENT COUNTRIES. AROUND THE WORLD, GAC DELIVERS

ON ITS PROMISES WITH DAY-TO-DAY ACTIVITIES THAT REPRESENT VALUE FOR MONEY, QUALITY, CONTINUITY, INNOVATION AND GLOBAL REACH, OFFERING SERVICES THAT SEAMLESSLY COMBINE ITS EXPERTISE AND EXPERIENCE.

GAC IS GLOBAL TODAY THANKS TO THE WINNING COMBINATION OF INTERNATIONAL BUSINESS SKILLS AND THOROUGH LOCAL KNOWLEDGE. WHEREVER YOU GO, YOU WILL FIND GAC PROFESSIONALS DEDICATED TO WORKING TOGETHER TO PROVIDE THE BEST POSSIBLE SERVICE AS THEY WORK ACROSS CULTURES, BORDERS AND TIME ZONES. IT WAS JUST SUCH A PARTNERSHIP THAT LED TO THE FORMATION OF GAC-RUR.

TODAY, I'D LIKE TO TELL YOU ABOUT THE LNG **REVOLUTION (I believe it should be "evolution")** IN THE UNITED STATES.

[Slide 3: Flashback on the US LNG industry](#)

IT BEGAN A QUARTER OF A CENTURY AGO, WITH THE BUILDING OF FOUR MAJOR RECEIVING FACILITIES IN: BOSTON, MASSACHUSETTS; COVE POINT, MARYLAND; SAVANNAH, GEORGIA; AND LAKE CHARLES, LOUISIANA. BUT THE REVOLUTION WAS SHORT-LIVED, AND IN A FEW SHORT YEARS, THE FEDERAL GOVERNMENT HAD CLOSED THEM ALL DOWN OVER SAFETY CONCERNS. AND THEY STAYED CLOSED FOR MORE THAN 20 YEARS WHILE THE U.S. SAT BACK AND ENJOYED THE BENEFITS OF CHEAP OIL AND NATURAL GAS, BUT NO CLEAR ENERGY POLICY.

FIVE YEARS AGO, EVERYTHING CHANGED - AGAIN. AS ENERGY PRICES ROSE AND SUPPLY BECAME SUBJECT TO POLITICAL TURMOIL, LNG WAS NO LONGER A BAD WORD IN THE U.S., AND IT WAS ANNOUNCED THAT THE COUNTRY'S FOUR RECEIVING FACILITIES WOULD RE-OPEN.

WHAT A GREAT OPPORTUNITY! THE U.S. MARITIME INDUSTRY WOULD RECEIVE OVER 500 LNG TANKERS A YEAR IN A NEW MARKET! QUESTION WAS, WHERE WOULD THE EXPERTISE COME FROM?

Slide 4: Rising to the occasion

WHILE SOME OF GAC-RUR'S STAFF AT OUR 20 U.S. OFFICES AROUND THE COUNTRY STILL REMEMBERED HANDLING LNG SHIPS, THEIR EXPERIENCE WAS OUT-OF-DATE. SO, WITH JUST 12 MONTHS TO GET READY, WE SET ABOUT GATHERING INFORMATION FROM OUR COLLEAGUES OVERSEAS AND STUDYING THE INTRICACIES OF THE NEW RULES AND REGULATIONS ISSUED BY THE U.S. COAST GUARD FOR LNG SHIPS. WE ALSO IDENTIFIED SHIPPERS, RECEIVERS AND VESSEL OPERATORS FOR EACH FACILITY, AND WE OFFERED THEM A WIDE RANGE OF SERVICES, WELL BEYOND THE TRADITIONAL AGENCY RANGE, THAT INCLUDED:

- PUBLIC SPEAKING ENGAGEMENTS IN FAVOR OF LNG;
- RISK ASSESSMENT AND REVIEW OF OPERATING PLANS;
- ECONOMIC IMPACT STUDIES;
- TESTIMONY AT PUBLIC AND GOVERNMENTAL HEARINGS;
- POLITICAL CONTACTS IN STATE GOVERNMENT;

- FAVORABLE INTERVIEWS IN THE LOCAL PRESS;
- PARTICIPATION IN REVIEW COMMITTEES AND STUDY GROUPS SET UP BY THE COAST GUARD, PILOTS AND OIL COMPANIES;
- DRAFTING EMERGENCY RESPONSE PLANS.

WE ALSO GOT IN TOUCH WITH MORE THAN 30 COMPANIES WHO HAD APPLIED TO THE FEDERAL ENERGY REGULATORY COMMISSION TO BUILD NEW FACILITIES, AND PRETTY SOON, GAC-RUR HAD EMERGED AS THE AGENT OF CHOICE BY THE MOVERS AND SHAKERS OF THE LNG SECTOR.

FIVE YEARS ON, I'M DELIGHTED TO TELL YOU THAT ALL FOUR FACILITIES ARE OPERATING WITHOUT INCIDENT, WITH GAC-RUR HANDLING THE MAJORITY OF THE SHIPS CALLING AT THEM.

[Slide 5 – 8 : Four facilities](#)

[Slide 9: Fifth facility](#)

WE ALSO NOW HAVE OUR 5TH FACILITY ON LINE, THE EXCELERATE ENERGY BRIDGE, 116 MILES OFF NEW ORLEANS, WHICH USES SHIPS WITH ONBOARD RE-GASIFICATION CAPABILITY. ADDITIONALLY, ANOTHER OFFSHORE FACILITY IS BEING BUILT BY EXCELERATE OFF BOSTON, DUE TO OPEN LATER THIS YEAR.

AT GAC-RUR, WE PRIDE OURSELVES ON OUR ABILITY TO PROVIDE AGENCY SERVICES ALONG THE ENTIRE LENGTH OF THE LNG TRANSPORT

CHAIN – FROM LOAD PORT, THROUGH THE SHIPPING LEG, ALL THE WAY UP TO DISCHARGE OPERATIONS. THE GAC GLOBAL NETWORK MEANS WE CAN PROVIDE SERVICES FOR THE DURATION OF ANY VOYAGE, INCLUDING ANY POSSIBLE DEVIATIONS. WE ALSO HAVE CENTRALIZED LNG COORDINATORS DEDICATED TO EACH INDIVIDUAL CLIENT’S ACCOUNT, NO MATTER WHERE IN THE WORLD THEY GO.

WHILE LNG IN THE U.S. HAS COME A LONG WAY IN A SHORT TIME, THE MAJORITY OF NEW LNG PROJECTS MOVE AT A SNAIL’S PACE BECAUSE OF THE STRONG ENVIRONMENTAL LOBBY - PARTICULARLY ON THE EAST COAST EWHERE THE GAS IS NEEDED.

[Slide 10 and 11: Challenges & Implications - Environmental Lobbying](#)

A CASE IN POINT IS BRITISH PETROLEUM’S CROWN LANDING LNG PROJECT ON THE DELAWARE RIVER IN NEW JERSEY. GAC-RUR FIRST GOT INVOLVED IN THE BP PROJECT MORE THAN FOUR YEARS AGO. YET, IT WILL TAKE ANOTHER FOUR YEARS TO COMPLETE. YOU SEE, THE DELAWARE RIVER TOUCHES THE STATES OF DELAWARE, NEW JERSEY AND PENNSYLVANIA, SO THE WORK TO COMPLETE THE PROJECT IS THREEFOLD. THE LATEST SETBACK CAME WHEN DELAWARE REFUSED TO ALLOW THE LNG PIER TO STICK INTO ITS WATERS. AS A RESULT, THE STATE OF NEW JERSEY TOOK THE STATE OF DELAWARE TO THE U.S. SUPREME COURT, AND WE ARE STILL AWAITING THE OUTCOME.

THAT'S JUST ONE EXAMPLE HOW A POWERFUL ENVIRONMENTAL LOBBY CAN STAND IN THE WAY OF AN ENERGY POLICY THAT RELIES HEAVILY ON LNG.

BUT WHILE THERE ARE MANY GLOBAL CHALLENGES TO THE WORLD OF LNG – MANNING, SAFETY AT SEA, SHIP AND PRODUCT SUPPLY AND ENVIRONMENTAL ACCEPTANCE – THE BIGGEST CHALLENGE AS SHIP AGENTS IS TO TRAIN AND SUPPLY YOUNG MEN AND WOMAN WHO UNDERSTAND THE DIFFICULT POST-9/11 PROCESS OF GETTING LNG SHIPS IN AND OUT OF PORT. THEY NEED TO UNDERSTAND THE PRODUCT, THE SHIP'S CAPABILITY AND ALL THE IN-AND-OUTS OF THE REGULATIONS IMPOSED BY THE U.S. COAST GUARD AND CUSTOMS & BORDER PROTECTION AUTHORITIES.

[Slide12: Challenges & Implications – Staff Recruitment & Training](#)

IN RESPONSE TO THIS CHALLENGE, GAC HAS ESTABLISHED THE “GAC CORPORATE ACADEMY 2007” TO ADDRESS OUR PEOPLE’S NEED FOR PROFESSIONAL DEVELOPMENT. THE ACADEMY OFFERS A WIDE RANGE OF RELEVANT PROGRAMS DIRECTLY RELATED TO THE GAC GROUP AND THE WORK WE DO AROUND THE WORLD. THE COURSES ARE OPEN TO EVERYONE EMPLOYED BY THE GROUP, AND THEY USE STATE-OF-THE-ART E-LEARNING TECHNOLOGY WITH A HIGHLY EFFECTIVE WORK-BASED LEARNING PROCESSES. ALL COURSES CAN BE TAKEN INDIVIDUALLY OR AS PART OF STRUCTURED OR INFORMAL LEARNING PATHWAYS.

PARTICIPANTS CAN EXPAND THEIR LEARNING HORIZONS TO INCLUDE A FORMAL GAC CORPORATE ACADEMY QUALIFICATION AT CERTIFICATE OR DIPLOMA LEVEL.

NOW I WOULD LIKE TO TALK ABOUT THE FUTURE OF LNG IN THE UNITED STATES, SOME NEW SAFETY CONCERNS AND THE INCREASED ROLE OF THE SHIP AGENT IN THE LNG SECTOR.

Slide13 & 14: Future Outlook

AS YOU NOW KNOW, WE HAVE FIVE OPERATING FACILITIES IN THE UNITED STATES – FOUR ON LAND AND ONE IN THE GULF OF MEXICO. THE BIG NEWS COMES FROM THE LONG LIST OF PROPOSED LNG TERMINALS.

HERE ARE THE TOTALS AND THEIR STATUS:

- 19 U.S. SITES HAVE BEEN APPROVED BY THE FEDERAL ENERGY REGULATORY COMMISSION;
- 5 U.S. SITES HAVE BEEN APPROVED BY THE MARITIME ADMINISTRATION AND U.S. COAST GUARD;
- 2 SITES HAVE BEEN APPROVED IN CANADA AND 3 SITES IN MEXICO;
- ANOTHER 9 SITES HAVE BEEN PROPOSED TO THE FEDERAL ENERGY REGULATORY COMMISSION AND 5 MORE HAVE BEEN PROPOSED TO THE MARITIME ADMINISTRATION AND U.S. COAST GUARD.

IN ALL, A TOTAL OF 43 NEW LNG TERMINALS ARE IN SOME PHASE OF PLANNING, WHICH IS NOT BAD FOR A COUNTRY THAT HAS NOT BUILT A NEW REFINERY IN OVER 70 YEARS.

LNG IS - AND WILL REMAIN - A KEY ELEMENT OF THE U.S. ENERGY POLICY. INDEED, IT'S SEEN BY MANY AS THE FUEL OF THE FUTURE. SO, IT'S NO ACCIDENT THAT THE GAC GROUP HAS APPLIED ITS CHARACTERISTIC FORESIGHT TO MEET THE CHALLENGES AND WELCOME THE OPPORTUNITIES THAT THE SECTOR WILL FACE IN THE U.S., NOW AND IN THE YEARS TO COME.

I WOULD LIKE TO END ON THIS VERY POSITIVE NOTE BUT UNFORTUNATELY, THERE IS MORE TO TELL. WHILE CONFIDENCE REMAINS HIGH IN THESE BILLION DOLLAR LNG PLANTS AND 150 MILLION DOLLAR SHIPS, POST 911 FEARS OF TERRORIST ATTACKS ON THESE PLANTS AND SHIPS IS GROWING. A GOOD ILLUSTRATION OF THIS IS TO GO BACK TO THE 4 YEAR EFFORT THAT BP HAS EXPENDED ON THEIR PROPOSED DELAWARE RIVER CROWN LANDING LNG PLANT. WHILE SOME OF THAT TIME WAS SPENT IN OBTAINING THE FEDERAL PERMITS, WHICH THEY NOW HOLD, MUCH OF IT WENT TOWARD CHANGING LOCAL GOVERNMENT AND PUBLIC OPINION THAT THE PLANT AND SHIPS WILL BE EASY TARGETS FOR TERRORISTS. IN OUR MONTHLY MEETING OF THE DELAWARE RIVER LNG SHIP TRANSIT COMMITTEE HELD AT LOCAL COAST

GUARD, THERE ARE OVER 30 PEOPLE THERE FROM GOVERNMENT AGENCIES FROM THE STATES OF PENNSYLVANIA, NEW JERSEY AND DELAWARE. THESE AGENCIES INCLUDE CIA, FBI, U.S. COAST GUARD, HOMELAND SECURITY, STATE, LOCAL AND TOWNSHIP POLICE AND MOST RECENTLY, THE CIVILIAN AIR PATROL, ALL OF WHOM ARE CONCERNED WITH TERRORIST ACTIVITY. IF YOU THINK THAT IS SCARY, WAIT UNTIL YOU HEAR THIS THEY ARE ALL CARRYING GUNS!

IN RESPONSE TO THESE FEARS, BP HAS SPENT HUNDREDS OF MILLION DOLLARS MORE TO DESIGN A STATE – OF – THE – ART SECURE PLANT AND A HIGHER COST SOPHISTICATED FINGER PIER THAT WILL ENABLE THE SHIP TO UNDOCK IMMEDIATELY WITHOUT TUGS OR LINE HANDLERS SHOULD THERE BE AN ATTACK OR INCIDENT. WHILE WE ANTICIPATE ANOTHER 4 YEARS BEFORE WE SEE THAT FIRST SHIP AND MANY MORE MEETINGS TO PLAN MEETINGS, WE ARE CONFIDENT THAT BP PLANT WILL BE BUILT AND IT WILL SERVE AS A BLUEPRINT FOR MANY MORE TO COME.

IF ALL THESE ISSUES AND CONCERNS WERE NOT ENOUGH, WE HAVE A NEW ONE EMERGING FROM THE U.S. COAST GUARD THAT COULD AFFECT ALL SHIPS COMING TO THE U.S. THE ISSUE IS THEIR CHANGING MISSION FROM MARINE INSPECTION AND DRUG INTERDICTION TO HOMELAND SECURITY, WHILE THEY REMAIN UNDER MANNED AND UNDER FUNDED.

AS A RESULT, THE COAST GUARD HAS GIVING NOTICE THAT THEIR SECURITY PROGRAM OF BOARDING HIGH INTEREST SHIPS BEFORE ENTERING PORT WILL ONLY TAKE PLACE DURING DAYLIGHT HOURS AND IN CALM WEATHER BECAUSE OF SEVERAL RECENT ACCIDENTS. THIS COULD MEAN THAT AN LNG SHIP THAT LOADED IN ALGERIA OR FRUIT SHIP FROM CENTRAL AMERICA COULD LOOSE DAYS WHILE WAITING TO BE CLEARED.

Slide15: THE Fuel of the Future, but...

THIS IS WHERE THE SHIP AGENT OF THE 21ST CENTURY ENTERS. WHEN THIS LATEST NEWS HIT THE STREET A FEW WEEKS AGO, GAC-RUR LEAD A DELEGATION TO MEET WITH COAST GUARD AND CONGRESSIONAL LEADERS TO OPPOSE THIS PLAN AND SUPPORT EMERGENCY FUNDING TO GET ADDITIONAL PEOPLE FOR THE COAST GUARD TO INSPECT SHIPS 24/7. WHILE WE AWAIT THE OUTCOME, OUR QUICK ACTION HAS STALLED THIS NEW CONCEPT FROM BECOMING LEGISLATION, AND WE HOPE A FAVORABLE SOLUTION IS FORTH COMING.

I SEE ALL THIS THAT I HAVE SPOKEN ABOUT TODAY AS THE EMERGING ROLE OF THE SHIP AGENT. WE MUST BE PRO ACTIVE ON ALL ISSUES AFFECTING OUR PRINCIPALS AND WE MUST FORGE ALLIANCES WITH ALL STAKEHOLDERS SO WE WILL BE READY AT THE TABLE TO WORK ON GOOD SOLUTIONS.

SO, THAT BRINGS US UP TO DATE. AND NOW THAT SHIP AGENCY HAS
CAUGHT UP WITH THE 21ST CENTURY, I HOPE YOU'LL AGREE THAT SHIP
AGENTS NO LONGER JUST BOARD SHIPS – OUR ROLE IS SO MUCH MORE
THESE DAYS.

[Slide 16: Thank You](#)