Qatari helium: Back on-stream, but still caught in a political storm

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By now, everyone who has at least a passing interest in the helium business is aware that the Saudi Arabian-led embargo of Qatar resulted in the temporary cut-off of the supply of Qatari helium to world markets.

On the political level, there has been little apparent progress toward ending the blockade introduced by Saudi Arabia, the UAE, Egypt and Bahrain on 5th June (2017). Among a veritable charge sheet of issues raised against the country, Qatar is accused of destabilising the region by supporting extremism and terrorism – all of which it denies.

Just over a fortnight into the saga and on 23rd June the Saudi's presented a list of 13 demands that Qatar would need to meet before the embargo would be lifted – and gave Qatar just 10 days to comply. Given the severity of the demands, there is little reason to believe that Qatar would comply and perhaps unsurprisingly, that initial deadline passed without progress. Qatar was understood to have responded formally, but no details were released; it has stated its belief that the demands break international law.

Qatar was then given an extra 48 hours to accept this list of demands or face further sanctions. That deadline, too, passed without action. At least for the time being, this diplomatic crisis continues to be in a state of stalemate.

Helium supply

With the great majority of Qatari helium transported by truck via Saudi Arabia and the UAE to the port of Jebel Ali for international shipment, the blockade temporarily cut off most Qatari helium from world markets.

Fortunately, Qatar does have the Hamad container port near Doha and is able to ship helium to market via this harbour, albeit with more complex logistics. Sailings from Hamad have been limited in terms of frequency and destination, however, which is why most Qatari helium has been shipped to market via Jebel Ali.

Helium supplied from the Helium 1 and Helium 2 plants in Ras Laffan Industrial City accounts for approx. 2,000 container loads per year of liquid helium. With annual world helium demand at roughly 6 billion cubic feet and each container load equivalent to about 950,000 cubic feet, Qatar supply accounts for about 32% of worldwide demand; when spare capacity is considered, this is at least 25% of worldwide helium capacity.

Helium production from the two plants located in Ras Laffan Industrial City continued for about a week until all of the empty liquid helium containers that were already in Qatar as well as the plants' liquid helium storage tanks had been filled. From around 12th June, the helium plants were shutdown (or significantly turned down) temporarily removing a large portion of the roughly 2 BCF of annual helium production capacity – or more than 25% of capacity from world helium markets.

Meanwhile, a large number of full helium containers were stuck in Qatar, until the helium buyers could find a way to get them out of the country. Working together, Air Liquide and Linde were able to hire a private charter vessel to transport most of these tanks to Singapore. **gas**world's understanding is that these tanks left the Qatari port of Hamad (Doha) on or around 19th June and arrived in Singapore on 4th or 5th July. FInally, news came out of Qatar that full production of the helium plants had been restored on or around 2nd July.

What will the effects be?

Returning to how this affects helium markets, some of the key questions that helium users and industry participants were considering as this article went to print include:

- Is the Qatar helium crisis over?
- Now that helium production has resumed at (or close to) full rates, how long will it take for helium markets to return to normal?
- What are some of the lessons learned from the crisis?

As long as the Saudi-led countries do not take actions to escalate their dispute with Qatar (a major caveat), such as blockading the Hamad port, or sanctioning countries that continue to trade with Qatar, helium production at Ras Laffan should be able to continue at or close to full rates of production.

The actual rate of production ultimately depends on the helium buyers' ability to return a steady flow of empty helium containers to Ras Laffan for refilling. Restarting full production, however, does not immediately fix the helium supply deficit due to the time required to ship the helium to its intended markets. As the Qatari production reaches helium markets over the next few weeks, helium inventories will be restocked and supply to customers should gradually return to normal. Relatively normal market conditions should return before the end of August, and supply allocations that are in force as this article goes to print should be removed during August or September.

While helium markets should return to normal before the end of August, the buyers of helium from Qatar will likely be forced to deal with more complex and costly logistics for as long as the Saudi-led embargo remains in place. Without the ability to ship helium containers across the Saudi and UAE borders, or to use the Jebel Ali port, all shipments of helium from Qatar will need to flow through Hamad. Hamad is not considered a world-class port; it is unable to handle the largest container vessels and does not have frequent direct sailings to most of the markets for Qatari helium. It is therefore thought that the Omani port of Salalah will play an important role in shipping helium containers to/from Qatar. Salalah is a major regional port with frequent service to Hamad, and Oman is not a party to the embargo. Helium containers can be shipped reliably to/from Hamad via Salalah. Similar arrangements are possible via other regional ports such as Nhava Sheva (Mumbai). Whichever routes the helium buyers decide to use, they will likely require trans-shipment of the containers, longer transit times, extra cost and inconvenience.

Lessons learned

So, what are some of the lessons learned from the helium crisis caused by the Qatar embargo?

Certainly, this situation has highlighted the relative lack of flexibility and fragility of the global helium supply chain. Even in a helium market that was viewed as modestly over-supplied prior to the Qatar crisis, the loss of a major source can quickly result in a shortage situation. With the drawdown of the US Government's stockpile and the loss of flex capacity in the US, the industry does not have a great deal of ability to respond to the loss of a major source.

This incident also highlights the fact that an increased percentage of helium supply is subject to geopolitical risk. Even Qatar, which has been a stable country and an ally of the West, has been shown to be at risk due to its unique geography and its location within an unstable part of the world. Certainly, helium production from Algeria might also be somewhat at risk going forward. With significant future supply likely from Russia and, perhaps, Iran, political risk will be an increased consideration in the helium business in future years.

Given these risks, going forward it could be argued that the major players should spend more time on contingency planning for similar scenarios that might occur in the future. Likewise, helium users should perhaps pay increased attention to the supply portfolio of its supplier. How diverse is my supplier's helium supply? These are all considerations that should be at the forefront of minds moving forward. GW