Kornbluth: helium market “in a new phase”

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NEWS HELIUM

The helium market has clearly entered a new phase, marked by plentiful supply and oversupply in some markets – and with demand still comparatively weak. It is a situation that could well become more embedded in 2025 and one that seems likely to have an impact on helium supply and on helium projects in North America and elsewhere in the next few years.

That’s the top-level assessment of market commentator Phil Kornbluth, of Kornbluth Helium Consulting, in interview with gasworld ahead of October’s Helium Super Summit 2024 in Houston.

“Prices have come down from the highs seen during the most recent shortage – Helium Shortage 4.0, so-called – which we can now say with confidence ended in late 2023,” said Kornbluth.

“I should say, at the same time, that there is still plenty of uncertainty around, and market shocks are always a possibility – nothing is ever 100% predictable when it comes to helium.”

Kornbluth said that the new supply from Gazprom’s Amur Gas Processing Plant, which came back online in September 2023, has added about 10% to global supply and, even with new European Union sanctions on Russian helium just coming into force, most of that supply should still find ready buyers in non-sanctioning countries and feed into the global picture.

For end-user buyers of helium, today’s dynamic means that when contracts come up for renewal or renegotiation – or even mid-contract – there could be discounts secured versus previous agreements.

“It is a more evenly balanced relationship today between buyers and sellers of helium compared with even last year, when shortages still prevailed and it was clearly a seller’s market,” said Kornbluth.

And the stronger supply of helium today could start to impact upon investment decisions made by companies exploring for helium and their ability to raise new capital, noted Kornbluth.

“There are around 60 small companies out there that are exploring for helium as either their primary or secondary mission. Today, the environment in which they are doing that isn’t being bolstered by tailwinds from shortages and inflated prices, even if helium remains a high-value, in-demand gas molecule.”

Kornbluth said that the supply-and-demand fundamentals from here pointed toward plentiful supply for an extended period, though with the usual caveat that things can and often do go wrong when it comes to helium supply.

"Gazprom has two more trains that will land at some point. The second of these could start up in 2025. And Qatar Energy is also slated to add a fourth plant in 2027. In other words, just these two players alone could be adding 50% to global capacity within a few years. With demand expected to grow only modestly, it is difficult not to forecast oversupply."

Risks and uncertainties

Set against this picture, some uncertainties remain. European Union sanctions on Russian helium could remove some portion of Russian supply from the market temporarily, and might delay the start-up of Amur's next two trains.

And threatened geopolitical events, such as a full-scale war in the Middle East between Israel and Iran, could create a lot of uncertainty and possible disruption of production from Qatar, should transportation through the Straits of Hormuz be impacted, Kornbluth added.

In North America, uncertainty also attaches to the supply that comes from the Federal Helium System that Messer recently acquired. There is a dispute playing out that could see Messer unable to use the crude helium enrichment unit that is essential to the system's helium delivery to four privately owned helium liquefaction plants that rely on the system for delivery of crude helium feed gas. Were its use to be blocked, it would set back supply temporarily or, in a worst case scenario, for up to three years, and remove that supply from the global picture.

"All in all, uncertainties remain – not just with Messer but with the risk of plant outages in many contexts. But the picture is still very different today from 12 months ago. The market is finding a new equilibrium."