

## Smaller scale GTL: a viable alternative to mega-scale GTL projects

**The decision by Shell not to pursue its 140,000 bpd Gulf Coast gas-to-liquids (GTL) project due to cost considerations illustrates the problems of planning a mega-scale project.**

The extremely long lead times in constructing such a project – up to five years from Final Investment Decision (FID), which itself was several years away – meant that it was unlikely to come on stream until well into the 2020s. Shell also commented that with three mega-projects planned in North America (including a 96,000 bpd GTL plant by Sasol), it would be virtually impossible to find enough engineers and project managers to run all three projects simultaneously.

### Smaller scale GTL

Compared to large-scale GTL, smaller scale GTL projects:

- **Require less capital.** Instead of the ~\$20 billion estimated capital cost for a mega-scale plant, a 2,500 bpd smaller scale GTL plant would cost around \$250 million (or roughly \$100,000 for every bpd of installed capacity);
- **Will be quicker to build.** Smaller scale GTL plants can be creating high value product within as little as two years after FID, therefore reaping the benefits of the shale gas boom and the price arbitrage more quickly and for a longer period of time;
- **Will be deployed on smaller fields,** at more locations, by a wider range of developers, alleviating the challenge of securing massive quantities of gas on long term contracts;
- **Will involve less risk.** Smaller scale GTL projects have less risk of cost overruns and delays, and will be easier to permit, supply and operate;
- **Can seize the best situations.** The **modular construction** means that smaller scale GTL facilities can be deployed at remote locations and/or integrated with existing facilities, improving plant economics.

### Roy Lipski, CEO of Velocys, said:

"Shell's recent decision not to pursue a GTL plant in Louisiana illustrates the complexity of planning a mega-scale conventional GTL project. In contrast, the economics and flexibility of smaller scale GTL are much better suited to the current realities than conventional GTL projects with their huge demands on capex and other resources. Indeed, market momentum for smaller scale GTL has never been stronger, which is only reinforced by this recent announcement."

### Contact

For further information, please contact:

Roy Lipski, CEO Velocys  
info@velocys.com  
+1 713 275 5840

Jonathan Charles, Jessica Johnson  
Lionsgate Communications  
+44 20 3697 1209