

LNG WORLD MARKET UPDATE

February 23, 2017

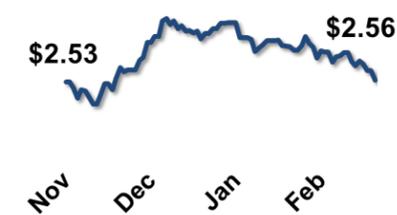
Recent Asian demand may signal an earlier end to supply overhang; an Asian LNG trading hub seems increasingly likely but details still need to be figured out; destination flexibility may be the new normal in future Japan LNG contracts; and Australia's Woodside Petroleum to increase supply at Pluto LNG. This weekly news blast is intended to provide relevant industry information to Alaskan stakeholders and inform audiences of the competitive landscape in the global LNG market. Subscription options for this report are available at the bottom of this email. Please contact AGDC External Affairs at externalaffairs@agdc.us with questions.

Natural Gas

HH Spot Price
\$2.56 (\$/MMBtu)
February 21 close

Weekly Change
↓ \$0.37 (-12.63%)

Trend

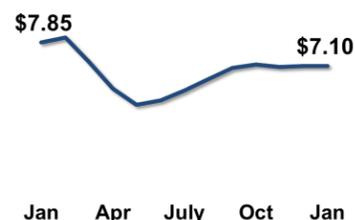


Source: EIA

LNG Import Price

Japan
\$7.10 (\$/MMBtu)
January 2017

Trend



Source: World Bank

Floating Storage Regasification Units Drive LNG Demand in Asia

(Nasdaq; Feb 23) - Most of the new import projects in China, Indonesia, and Pakistan are being spurred by an increasing number of floating storage regasification units (FSRUs). Recent soaring demand in Asia is sparking industry hopes that a supply overhang will end sooner than initially anticipated.

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Shell Executive Sees Singapore as an "Obvious Location" for LNG Trading

(Straits Times; Feb 23) - Steve Hill, Shell's executive vice-president for gas and energy marketing and trading, sees Singapore as a great location to trade financial products related to the LNG market because of the trading community, regulatory environment, and support infrastructure that already exists. However, the challenge will be in identifying the financial instruments that will form the basis for trading and what indices will reflect. [Read More](#)

Japan's Electric Utilities Secure Destination Flexibility in LNG Contracts

(Reuters; Feb 17) - Using their leverage as the world's biggest buyers of LNG, Japan's buyers have won provisions to allow the reselling of cargoes if they restart nuclear reactors. Kerry Anne Shanks, head of LNG research for Asia at Wood Mackenzie, noted that with increased competition, "LNG suppliers will offer more innovative deals to secure sales." Historically, Japan's contracts required payment for a fixed volume of imports and cargoes could not be re-sold if demand drops. [Read more](#)

Asian Demand Driving Woodside Decision to Boost Future LNG Output

(Marketwatch; Feb 21) - In expectation of Asian demand opportunities expected in 2020-2025, Woodside announced its plan to increase production at its Pluto LNG plant and potentially position the facility as a hub for undeveloped gas fields in northwest Australia. The company will tap existing gas supplies initially and will consider adding another smaller-scale production line that could lift output by as much as 1.5 MTPA. Woodside's CEO, Peter Coleman, pointed out the growing gap as an annual addition of 16 million tons a year in capacity is needed to meet future demand but only 6 million tons a year in capacity was approved in 2016.

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