



LNG SUPPLIES FOR ASIAN MARKETS (LNGA) 2019

*From Regional to Global: Convergence of LNG Markets and
Implications for Asia*

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Mega Tenders & Pricing Spats: Highlights From Singapore LNG Meet

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By Stephen Stapczynski and Dan Murtaugh

(Bloomberg) -- Some of the largest liquefied natural gas buyers and sellers met in Singapore at the LNG Supplies for Asian Markets conference Wednesday and Thursday.

Here are some of the highlights:

All-Japan Tender Dream

Sarah Behbehani, who recently started as senior vice president of LNG trading at Japan's Jera Co., floated the idea of a single tender that would cover all of Japan's LNG needs. Jera, which is Japan's biggest gas importer, bought about 45 percent of the country's 78 million tons of LNG last year. The country's gas and power utilities mostly issue their own tenders with minimal cooperation. "Japan is infrastructure challenged," said Behbehani. "To optimize pragmatically, you need all of Japan to work together. What I want is not Jera's 35 million tons. The play is a Japan play. "

Price Reviews vs. Indexes

As the LNG market grows and liquidity deepens, a debate has emerged within the industry over how the fuel should be priced. Though traditionally linked to oil, a growing number of buyers have called for linking the fuel to gas prices in the U.S. or Europe or to new indexes that reflect the market dynamics of the fuel, which are increasingly disconnected from oil. Zheng Hongato, who leads LNG trading at China's ENN Group, said in a round table discussion that contracts require periodic pricing changes because the market is constantly evolving and buyers should work with sellers to develop a pricing review model.

Hiroki Sato, chief fuel transaction officer at Japan's Jera, disagreed. Buyers should link contracts to a reliable index that consistently reflects market sentiment, rather than constantly engage in price reviews. The company has led the way by signing a few short- and mid-term contracts linked to the JKM index.

Japan Eyes U.S. Shale

Japan has \$6 billion left to commit from a \$10 billion public-private LNG investment pledge launched in 2017, and it may deploy that to support supply chain developments, said Masato Sasaki, an official with the country's trade ministry, citing U.S. shale projects or the Mozambique LNG venture as examples. An investment by Tokyo-based Inpex Corp. in the Eagle Ford play in Texas may be a sign Japanese companies are returning to American tight oil and gas, according to Sasaki. "The U.S. will become one of the major suppliers of gas, so we would be happy to have a stake," Sasaki said. "We work together with the U.S. government to let the American producers of LNG export more anywhere in the world."

Pakistan Sees Explosive Growth

Pakistan may more than triple its gas imports to between 25 million and 30 million metric tons annually in the next two or three years, according to Pakistan LNG Ltd. Managing Director M. Adnan Gilani. The nation imported 8 million tons in 2018, according to Bloomberg calculations.

To help meet that demand now, Pakistan LNG aims to finalize a fresh supply contract for 1.5 million to 2 million tons annually for a period of 5-10 years, he said.

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