

# **LNG's Growing Flexibility and Pricing Transparency**

**Afternoon Session 5 - Flexible LNG Market and Spot Trading**

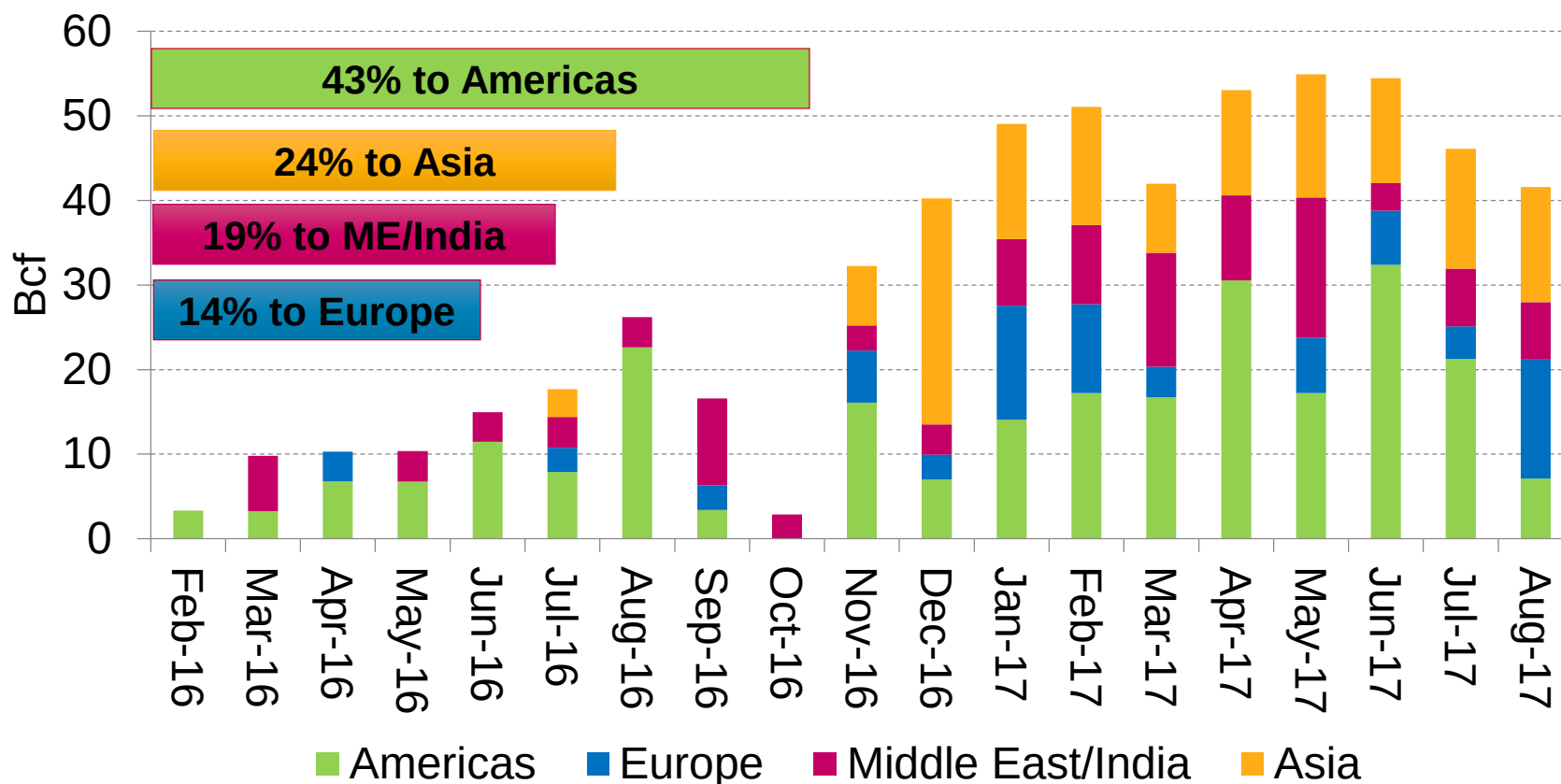
**METI LNG Producer - Consumer Conference 2017**

**Tokyo, October 18 2017**



# Latin America and Asia have been the main destinations for flexible US LNG...

## US LNG Exports by Destination Region

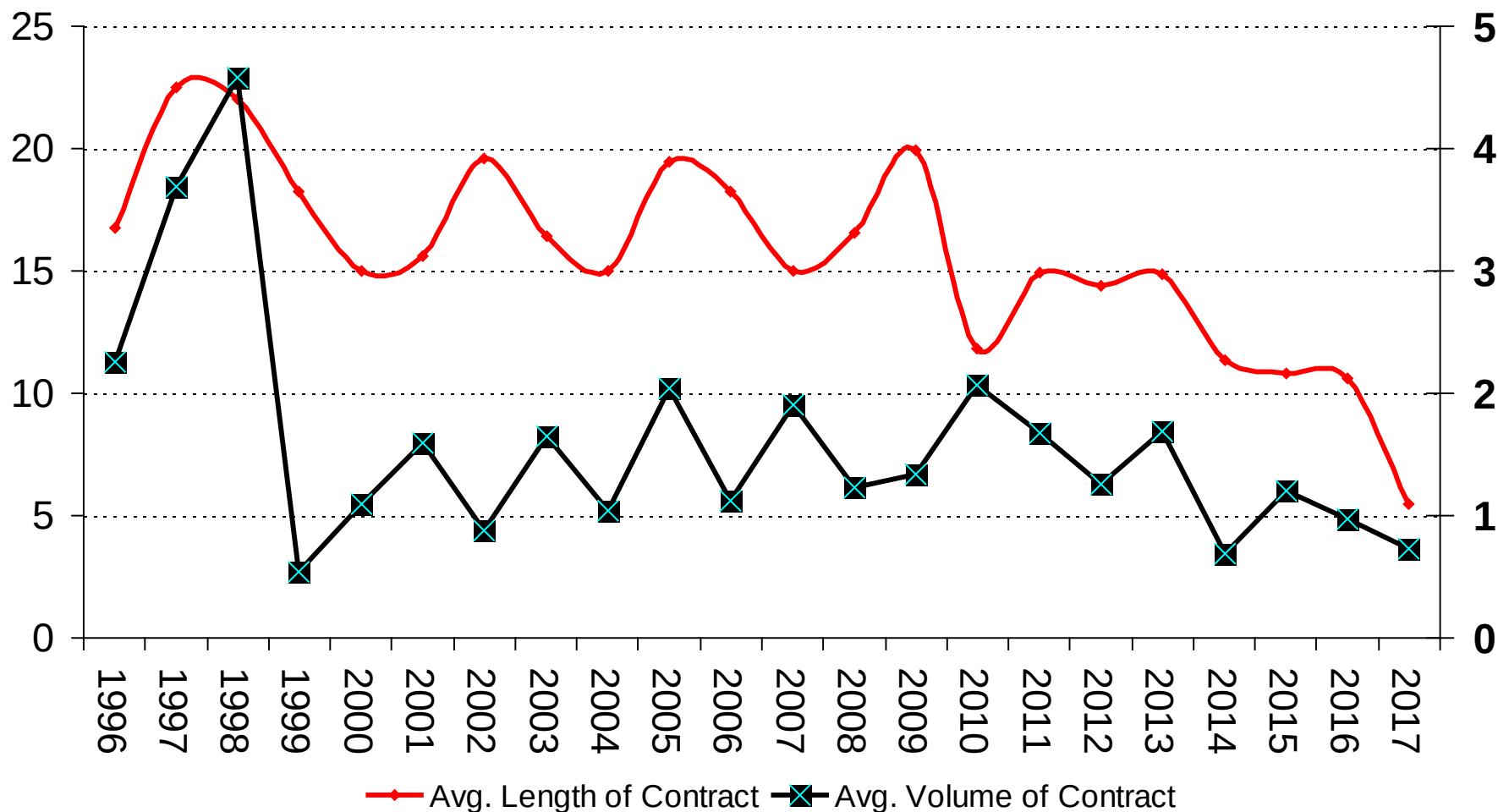


Source: Platts Analytics.

# ...while LNG buyers are increasingly relying on shorter, smaller contracts

Avg. Length of Contract in years (Red)

Avg. Volume of Contract in mmt (Blue)



# Burgeoning use of JKM™ in physical contracts

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**Japanese trader and APAC producer:** Trader heard secured 20 cargo for 2017-2019. Pricing structure heard JKM™ + slight premium.

## 2017

A few  
examples of  
reported  
JKM™-linked  
strip/short-  
term physical  
transactions

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**Japanese trader and APAC producer:** Trader heard secured 7 cargoes for 2016-2017. Pricing structure heard JKM™ + slight premium.

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**Japanese power utility and trading houses:** In late 2016, a major Japanese utility signed a swap deal each with 3 traders to buy up to three cargoes in winter 2016/2017, with an option to sell up to 5 cargoes towards 2019-2021.

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**Jera and Total:** In April 2017 signed a six-cargo contract, with 2 of the cargoes fully indexed to JKM™. The cargoes will be delivered over 1 year, starting April 2017.

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**Several east Asian end users, trading houses and European utilities** have used the JKM™ in the strip and short- and mid-term contracts.

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**Chubu Electric and BP:** Chubu Electric's 16-year-long LNG deal with BP partially uses Platts' JKM™ for up to 10% of supply volumes

# Burgeoning use of JKM™ in physical contracts

2015/  
2016

A few  
examples of  
reported  
JKM™-linked  
strip/short-  
term physical  
transactions

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**Producers in Asia Pacific and the Middle East:** Using JKM™ to sell excess cargoes to offtakers and traders, including Qatargas, Sakhalin NWS and Peru.

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**Australia's North West Shelf:** Introduced the JKM™ as one of the pricing bases in LNG sell tenders in early 2012, alongside Platts Asian Dated Brent. JKM™ is also used to sell excess FOB cargoes to the plant's offtakers.

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India's **PPAC** is using JKM™ to price its domestic gas market for 5 years as part of a basket of fuels including NBP and Henry Hub

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**Several trading houses and producers** concluding spot deals for delivery to the Middle East at JKM™ + premium in 2016

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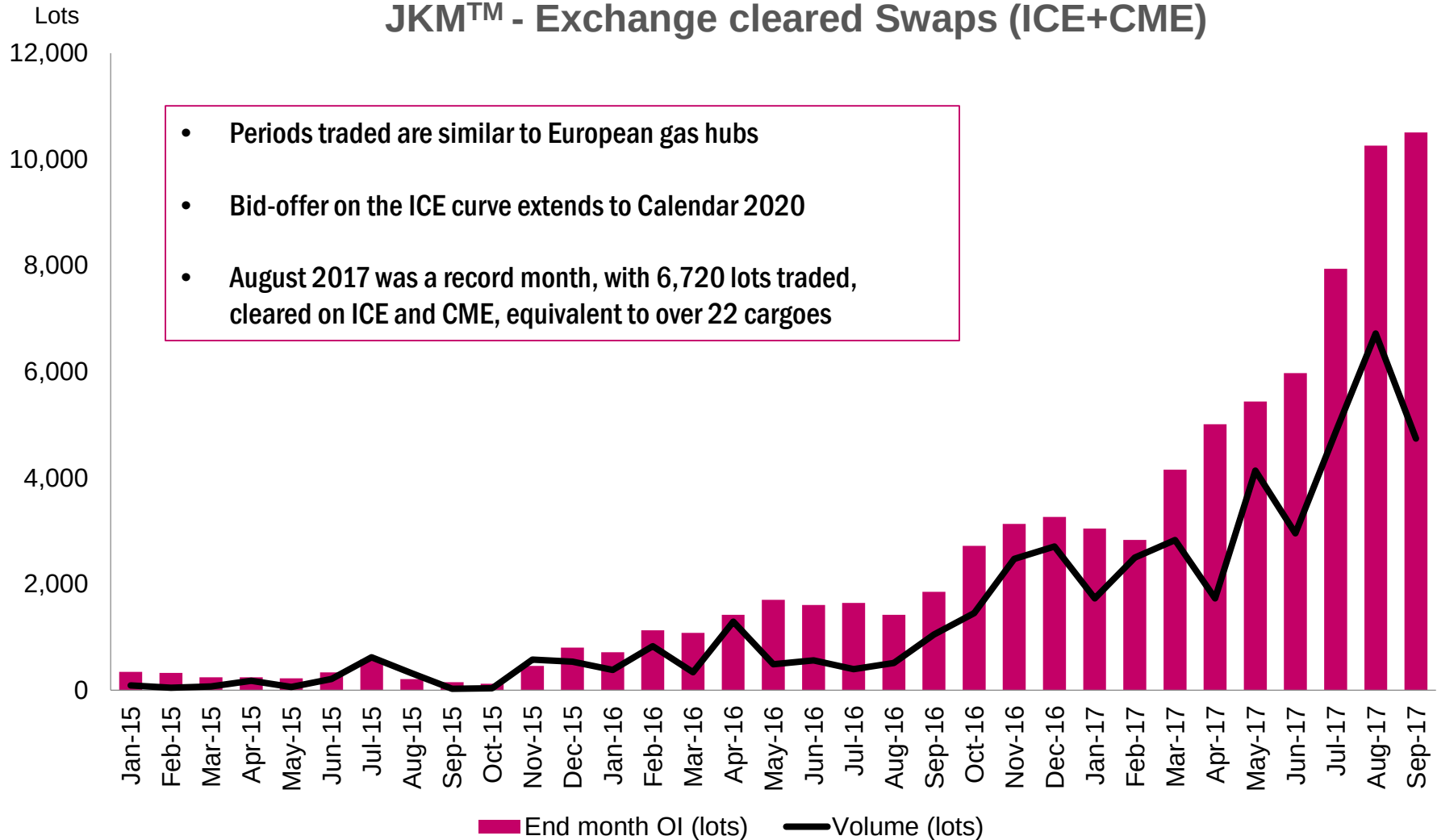
**Jordan's NEPCO** introduces JKM™ as of the pricing bases for LNG buy tenders

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**Shell** increases exposure to JKM™ following acquisition of Repsol's assets.

# Q1-Q3 2017 Cleared JKM™ Swaps nearly triple whole of 2016

## JKM™ - Exchange cleared Swaps (ICE+CME)



Source: Platts data/ICE data/CME data

Clip size: 10,000 MMBtu per lot

# Q&A

**We welcome your feedback**

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