LNG Market in 2020: Fundamental Changes & Pricing Shifts

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Spot LNG price hit record lows on growing supplies and weak demand

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Colder-than expected winter across NEA

Rapid increase in oil prices

Aug-Sep: Robust northeast Asia demand, production issues drive prices higher

Warmer than expected winter

Unplanned outages at Norway cause Eurogas spike

French nuclear safety concerns, Groningen issues, Saudi drone strikes

Mar-Jul: NEA demand, production issues drive prices higher in unseasonal trend

Apr-Oct: Supply glut persists as Pacific basin availability coincides with high US production

JKTC demand hit by COVID-19

Nov-Feb: Mild winter

India imposes lockdown

CNOOC, PCI declare force majeure on term LNG contracts

Source: Platts
Covid-19 impact on LNG import differs across major importers

Source: Platts ship tracking data, updated July 7th
US, Qatar and Australian volumes main contributors to the supply glut

Source: Platts ship tracking data, updated July 7th
Spot LNG price reflects LNG fundamentals rather than correlating with crude or Henry Hub

源：Platts

**NOTE:** Brent-linked LNG price is 13.5% of Brent plus a US$0.50/MMBtu constant. HH-linked LNG price is (HH*1.15)+US$3.00/MMBtu + Platts daily assessed “LNG US Gulf - Japan/Korea Freight cost $/MMBtu”.
Comparison of volatility among gas and LNG benchmarks

Annualised Volatility

- JKM
- NBP
- TTF
- HH
- Dated Brent

Source: Platts
Term contract linkage to spot LNG prices

### Short to long term contracts

<table>
<thead>
<tr>
<th>Duration</th>
<th>Contract</th>
<th>Volume</th>
<th>Pricing Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023-2038</td>
<td>Tellurian - Total</td>
<td>1.5 MTPA</td>
<td>Platts JKM</td>
</tr>
<tr>
<td>2020-2035</td>
<td>EOG - Cheniere (Natural Gas)</td>
<td>0.85 MTPA</td>
<td>Platts JKM</td>
</tr>
<tr>
<td>2020-2035</td>
<td>Apache - Cheniere (Natural Gas)</td>
<td>0.85 MTPA</td>
<td>Platts JKM</td>
</tr>
<tr>
<td>2020-2023</td>
<td>China’s Guangdong Energy buy-tender</td>
<td>16 cargoes</td>
<td>Platts JKM</td>
</tr>
<tr>
<td>2021-2022</td>
<td>ENN-BP (Natural Gas)</td>
<td>0.3 million mt</td>
<td>Platts JKM</td>
</tr>
<tr>
<td>2020-2022</td>
<td>HPCL – ONGC (Natural Gas)</td>
<td>100,000 mmcmd</td>
<td>Platts WIM</td>
</tr>
<tr>
<td>2020-2022</td>
<td>GAIL – ONGC (Natural Gas)</td>
<td>650,000 mmcmd</td>
<td>Platts WIM</td>
</tr>
<tr>
<td>2020</td>
<td>Thailand's PPT buy-tender</td>
<td>12 cargoes</td>
<td>Platts JKM</td>
</tr>
<tr>
<td>2020</td>
<td>Australia’s APLNG sell-tender</td>
<td>6-8 cargoes</td>
<td>Platts JKM</td>
</tr>
<tr>
<td>2020</td>
<td>Japan’s JERA buy-tender</td>
<td>0.8 million mt</td>
<td>Platts JKM</td>
</tr>
<tr>
<td>2020</td>
<td>Taiwan's CPC two yearly buy-tenders</td>
<td>24 cargoes</td>
<td>Platts JKM</td>
</tr>
<tr>
<td>2020</td>
<td>Russia’s Sakhalin LNG sell-tender</td>
<td>6 cargoes</td>
<td>Platts JKM</td>
</tr>
<tr>
<td>2020</td>
<td>Indonesia’s Tangguh LNG sell-tender</td>
<td>5 cargoes</td>
<td>Platts JKM</td>
</tr>
</tbody>
</table>

### Spot market

Significant linkage to JKM for spot cargoes from second and third delivery months onwards

Source: Companies; Platts
JKM Derivatives in 2019 surpass 107 million mt; H1 2020 at 79 million mt (Cash-Settled Futures)

- Clip size: 10,000 MMBtu per lot, began in 2012. Trades can be cleared via ICE, CME, PEGAS or done OTC.
- Jan 20 was a record month, with 85,710 lots cleared on ICE and CME, equivalent to approx. 252 cargoes.
- 2019: JKM Derivatives traded 556,565 lots, equivalent to approx. 1686 cargoes.
Platts LNG Asia Market on Close daily bids, offers and trades

2,536 bids, offers and trades so far, with 63 trades (up to June 29, 2020)

Source: Platts
Platts LNG MOC eWindow implemented for both physical and derivative MOC

Example of 4 spot trades agreed on September 20

- BP ⇔ Vitol: $6.05/MMBtu Nov 13-17
- Shell ⇔ Vitol: $5.90/MMBtu Nov 21-23
- Shell ⇔ BP: $6.10/MMBtu Nov 28-30
- Petrochina ⇔ Vitol: $6/MMBtu Nov 16-20