

**enquidity** | Gunnar Steck

1st workshop of the EaP working group on LNG markets  
Warsaw, 20 February 2019

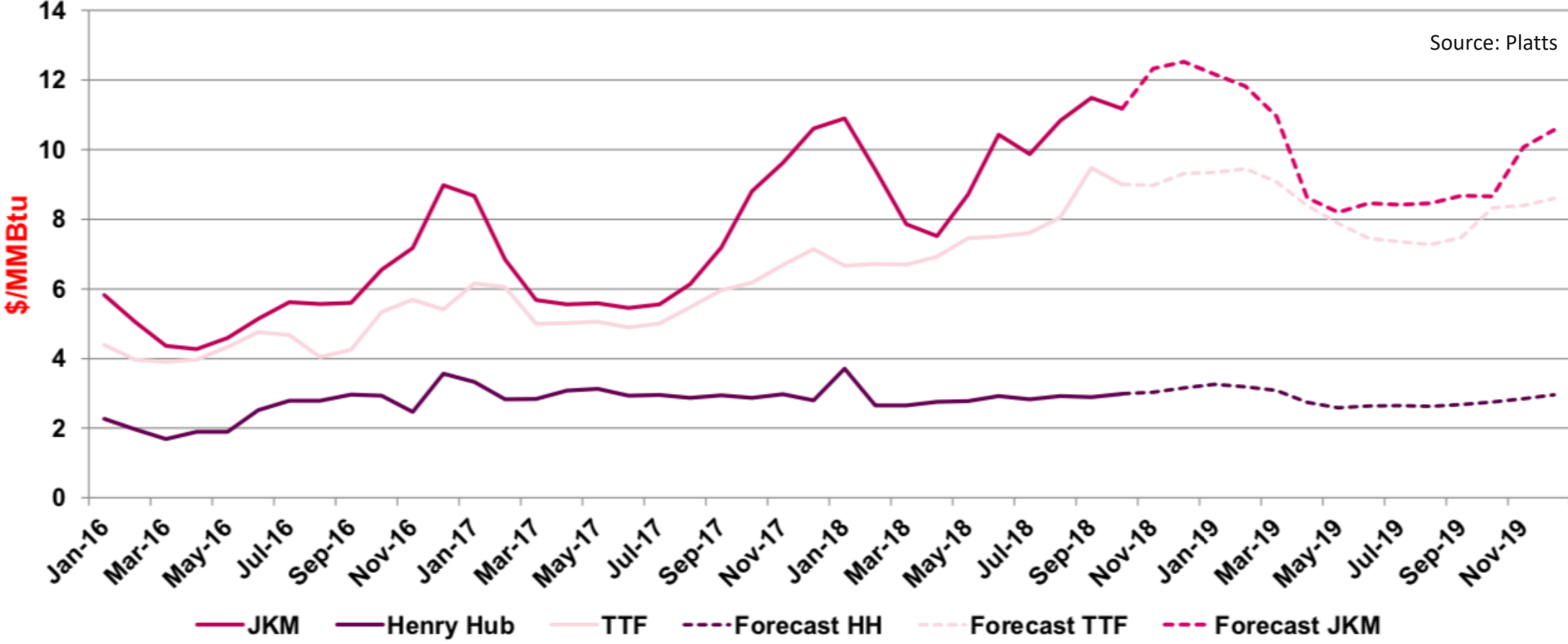
[gunnar.steck@enquidity.com](mailto:gunnar.steck@enquidity.com)



Workshop Series on  
Key drivers to promote the liquidity,  
flexibility and transparency of the global  
Liquefied Natural Gas market

Co-organised by  
the Ministry of Economy, Trade and Industry of Japan and  
the European Commission Directorate-General for Energy

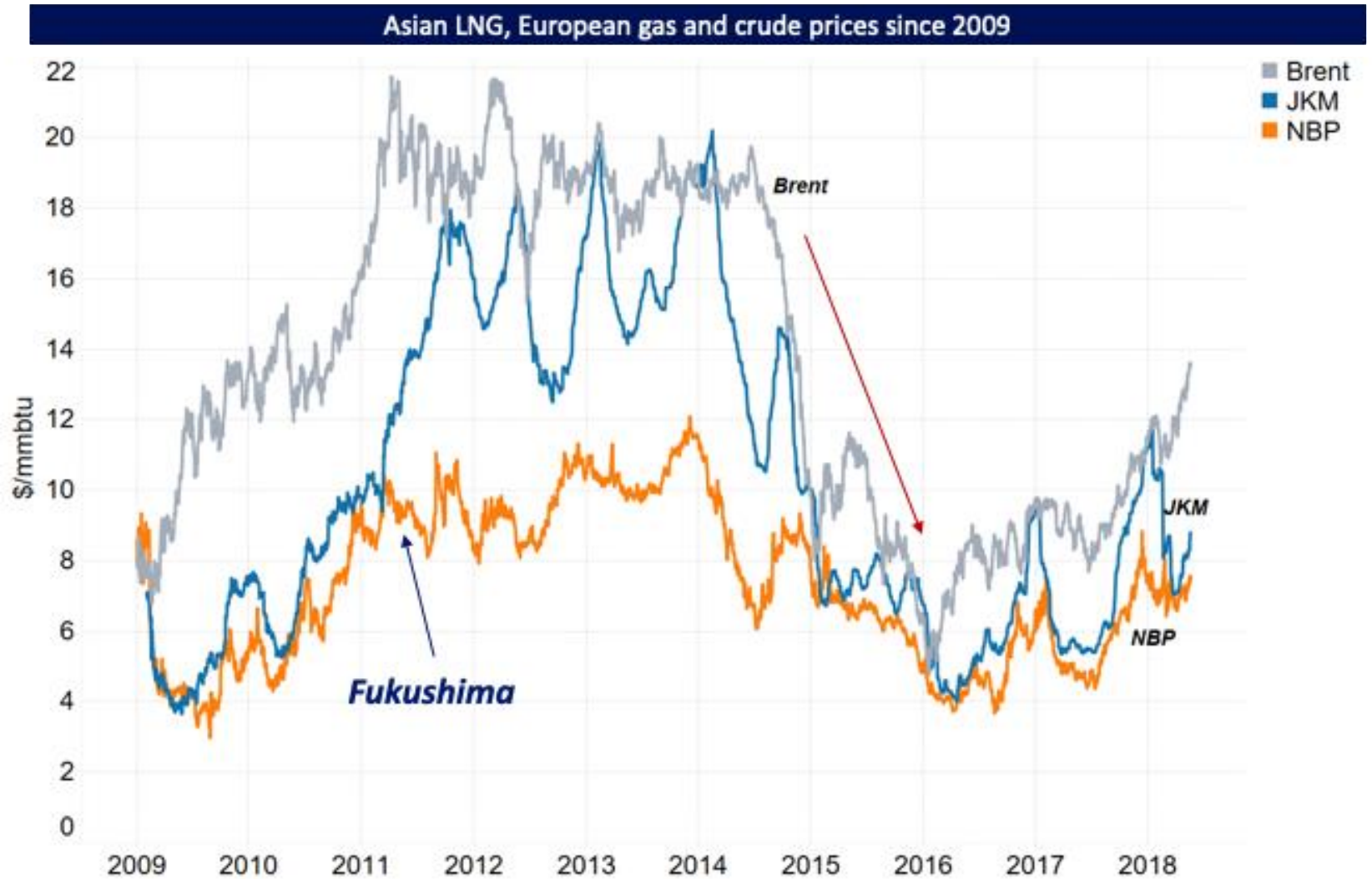
# Pricing, and how prices are discovered or built, became the focal point of workshop discussions. So, what's wrong with today's price transparency?



Gas prices reflecting the supply-demand balance would create a truly global market.

In liquid traded markets prices reflect the underlying supply-demand-balance, minimising the risk of manipulation, allowing forward price transparency and facilitate investment.

And this in turn allows LNG to sail where it is valued most – efficient resource allocation on a global scale.



Source: Platts, Bloomberg, Trafigura

# In liquidity we ,trust‘.

In liquid traded markets prices reflect the underlying supply-demand-balance, minimising the risk of manipulation, allowing forward price transparency and facilitate investment.

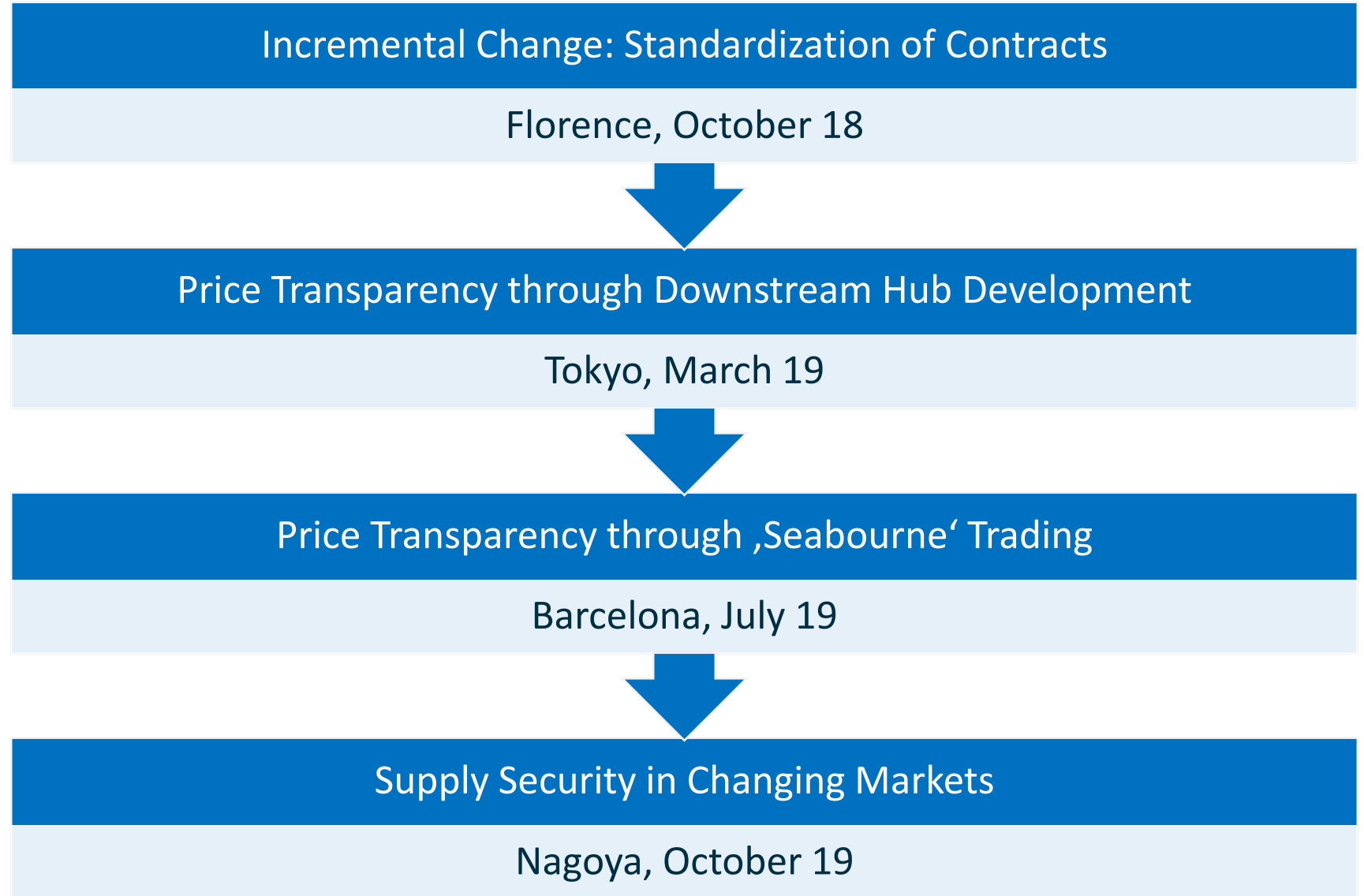
Asian markets lack that liquidity.

Growth of LNG MOC information (June 13 to October 10, 2018)



Source: Platts

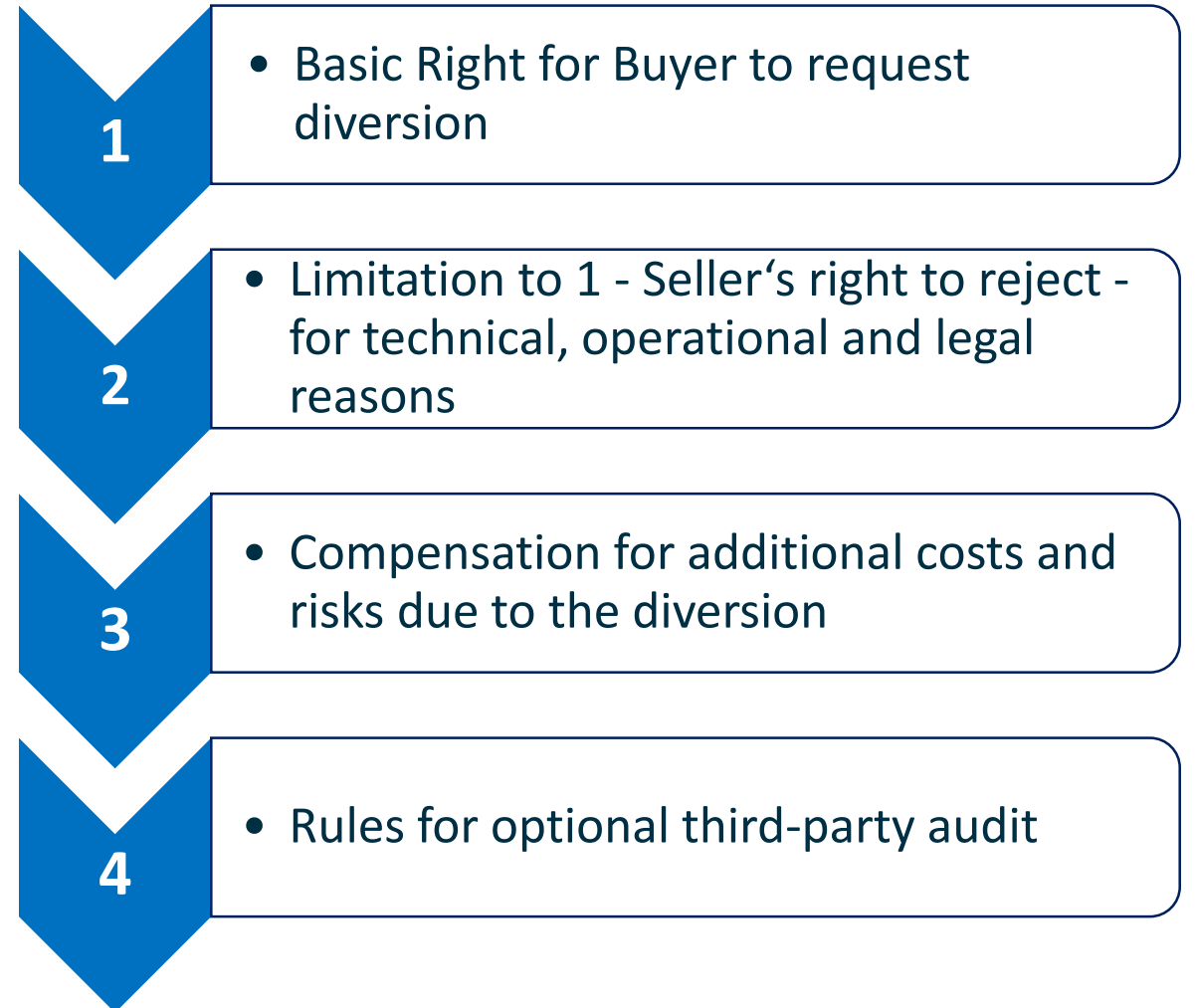
## The workshop flow:



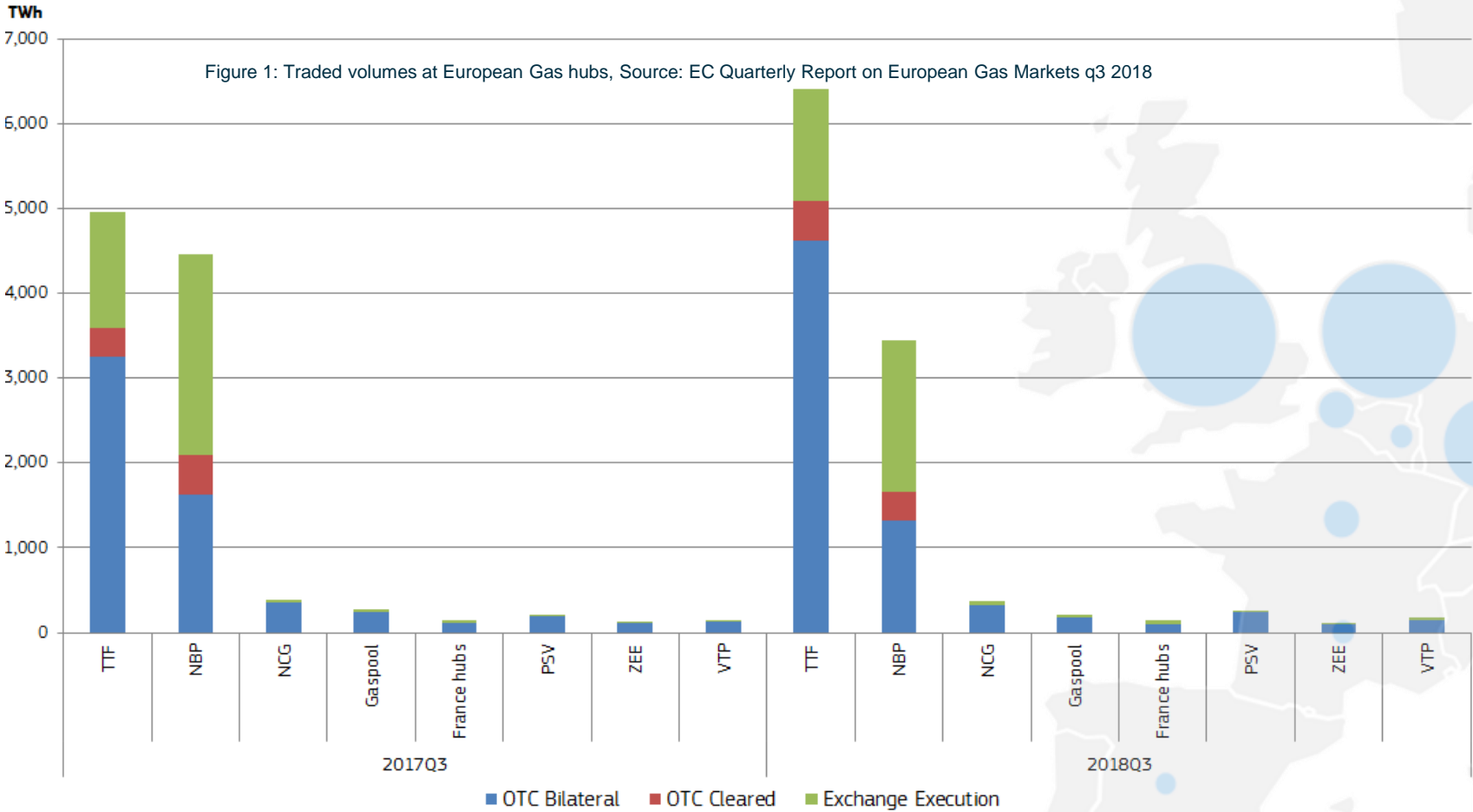
# Florence: Reasonably simple contractual standards are a known catalyst for trading.

The Workshops resulted in a draft **standard clause on destination diversion**, drafted to comply with EU and Jpn antitrust requirements.

The structure of the clause consists of 4 major sections:



# Tokyo: There are tested best-practice solutions for creating liquidity through market liberalization – in essence this is „hub development á l’Europe“.



# Barcelona: LNG trading platforms and terminals offer plenty of opportunities for price discovery trading – ,hub development‘ at wholesale level.

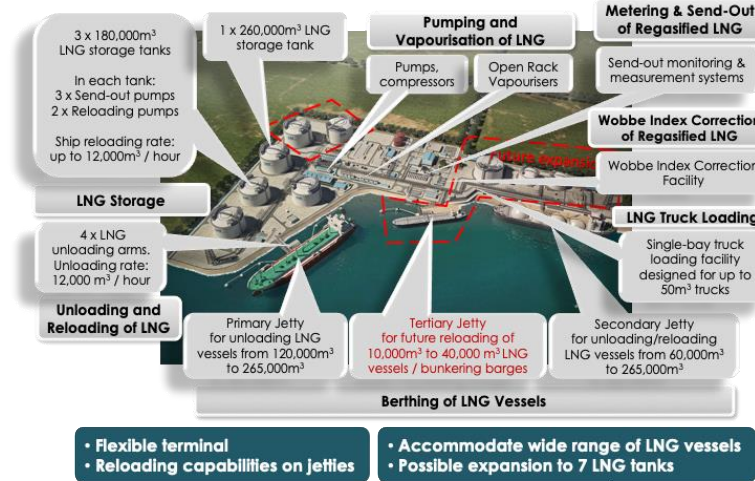
## HOW THE PLATFORM WORKS

GLX PROVIDES A SIMPLE AND EFFICIENT MEANS TO TRADE PHYSICAL LNG

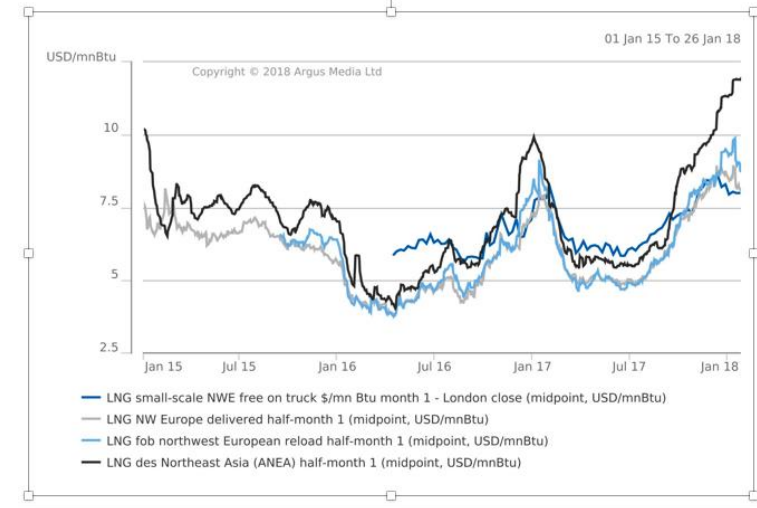
The Platform has been designed to support the specialised nature of LNG trading and caters for the specific commercial and operational parameters of each trade



## Overview of Terminal Facilities



## Increased transparency

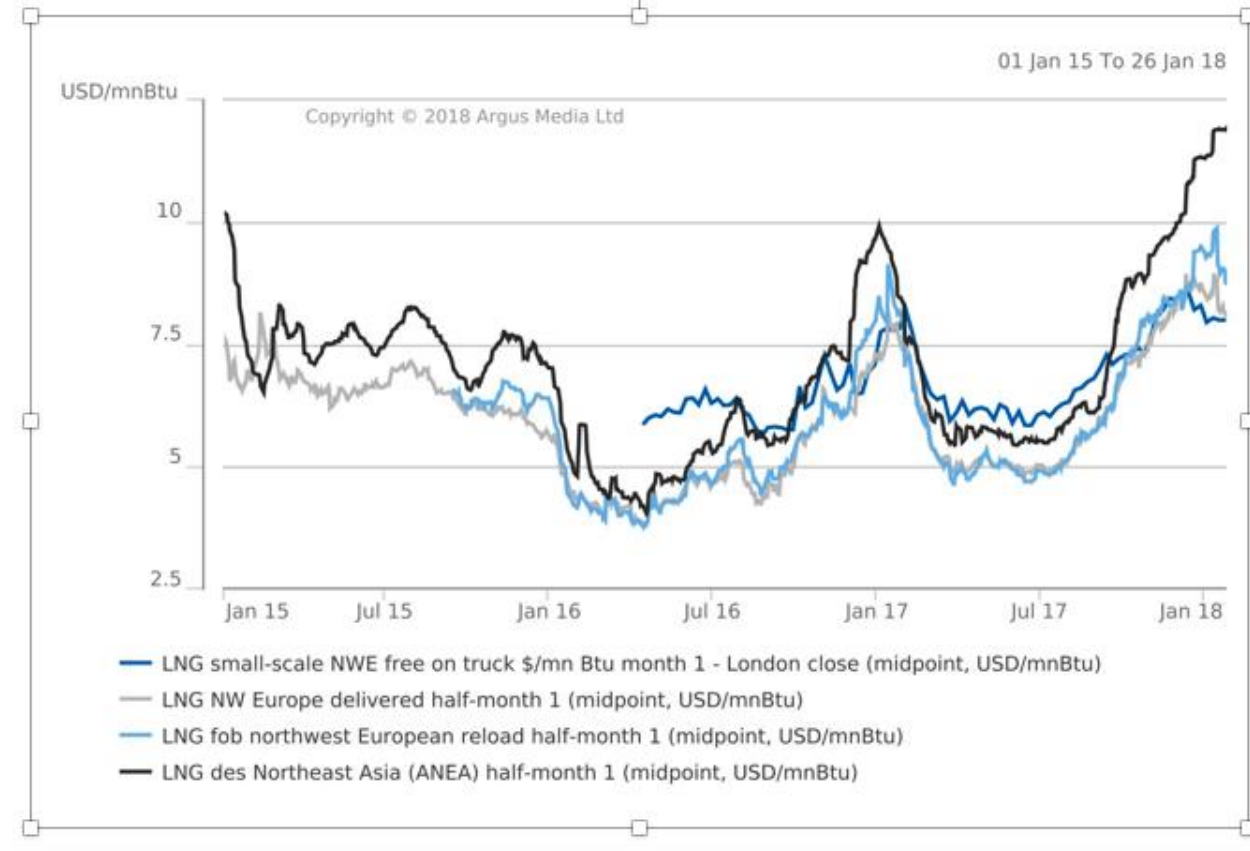




# Barcelona: LNG trading platforms and terminals offer plenty of opportunities for price discovery trading – ,hub development‘ at wholesale level.

1. Truck loading
  2. Bunkering
  3. Reloading
  4. Transshipment
  5. Small scale LNG
- transactions  
→ transaction reporting  
→ price transparency

## Increased transparency



**Nagoya: Target market ,track records‘ are paramount for calculating project debt capacity. They need time to develop.**

How much can I lend? Debt Capacity: Price (P) multiplied by Volume (V) PxV

### LNG project nature: significant CAPEX

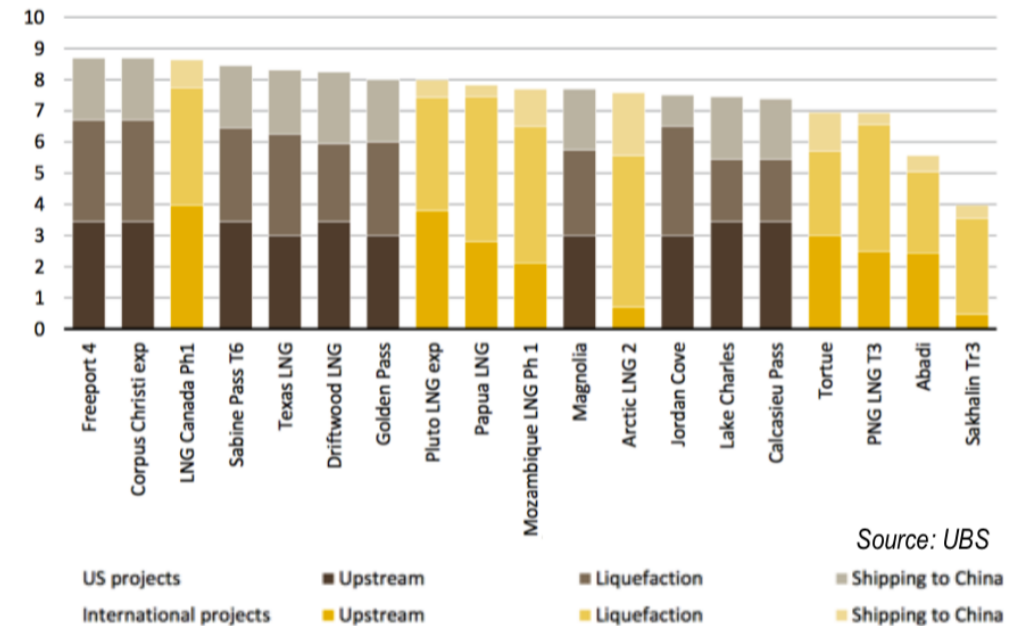
- Long tenor off-take contracts are required to justify the large initial CAPEX



Source: MUFG

### Breakeven Cost of Selected LNG Projects (\$/MMBtu, delivered to East Asia)

Source: Columbia, SIPA



Source: UBS

# Long term offtake agreements will therefore keep dominating the market.

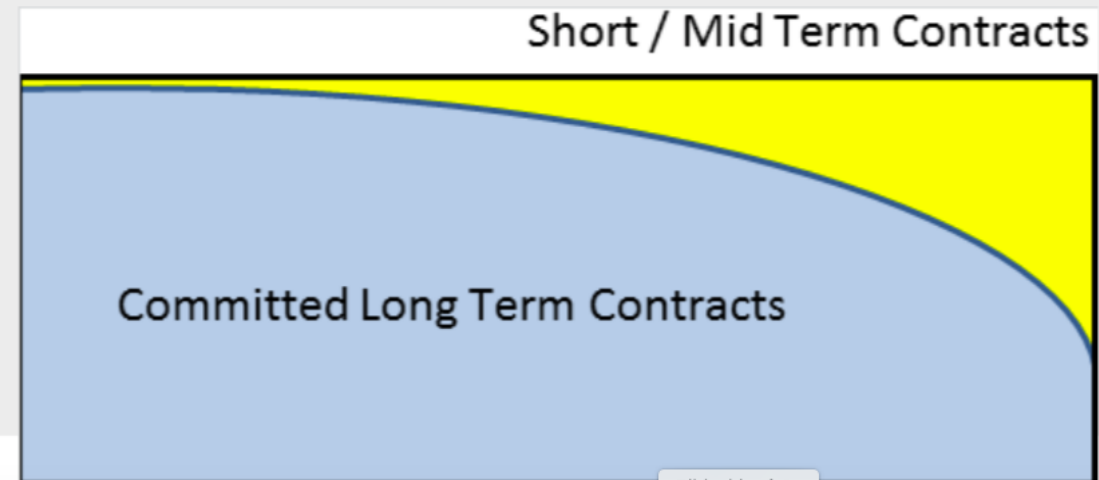
On a longer term basis a project's ability to market uncontracted volumes and/or replace shorter-term offtake agreements in the market, will create the "track record" required for lenders to trust in a project's ability to generate a stable cash-flow even without LT offtake agreements.

In the meantime, investors with experience in taking merchant risk might need to engage.

## Gradual shift of acceptance of short/mid SPAs

Step 1: Sponsor's track record

Step 2: Reliable market to sell LNG  
(both tangible and intangible)

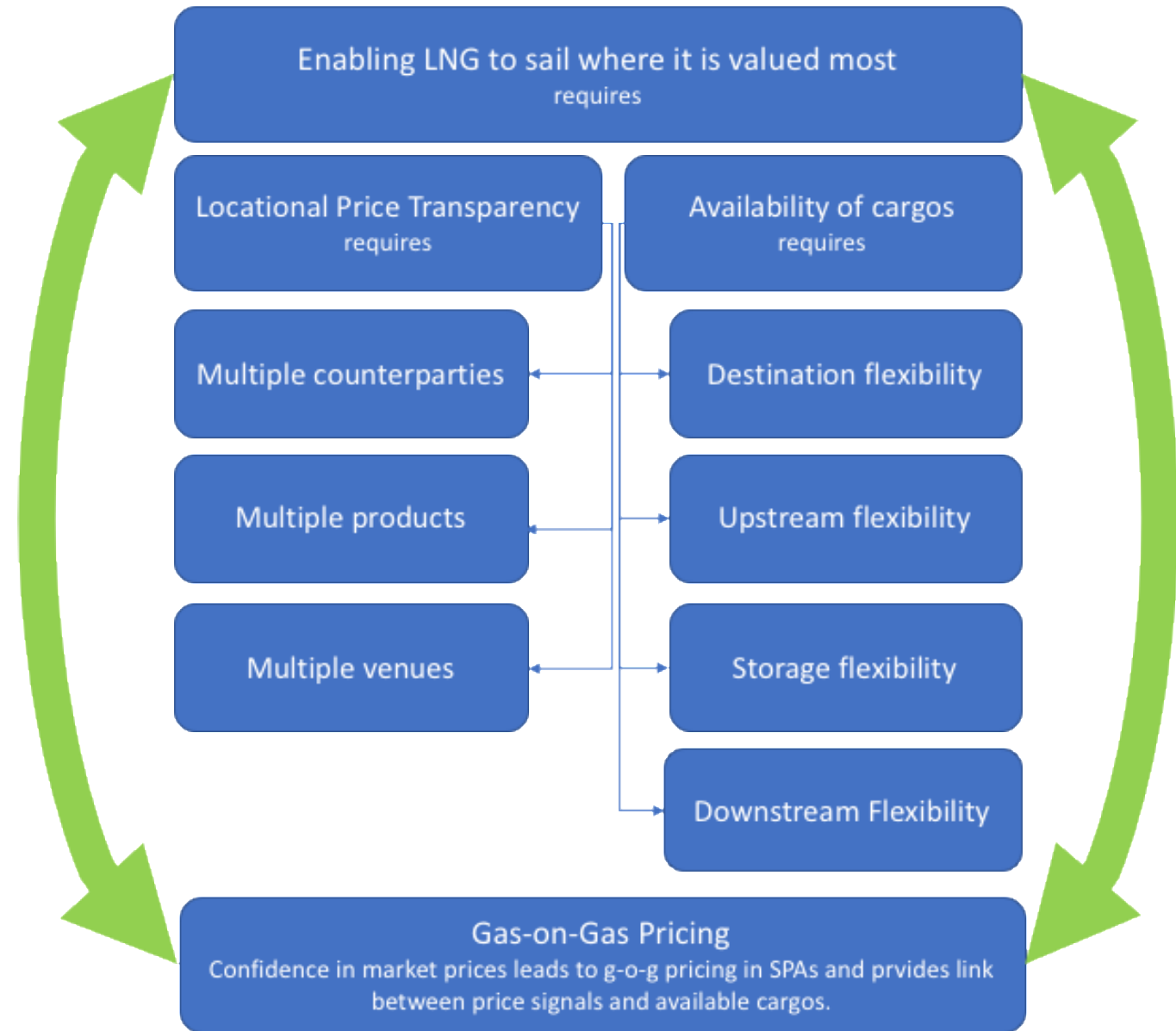


24

Bildschirmfoto

Source:  MUFG

**It's all about efficient resource allocation: LNG should sail where it is valued most, when it is needed most.**





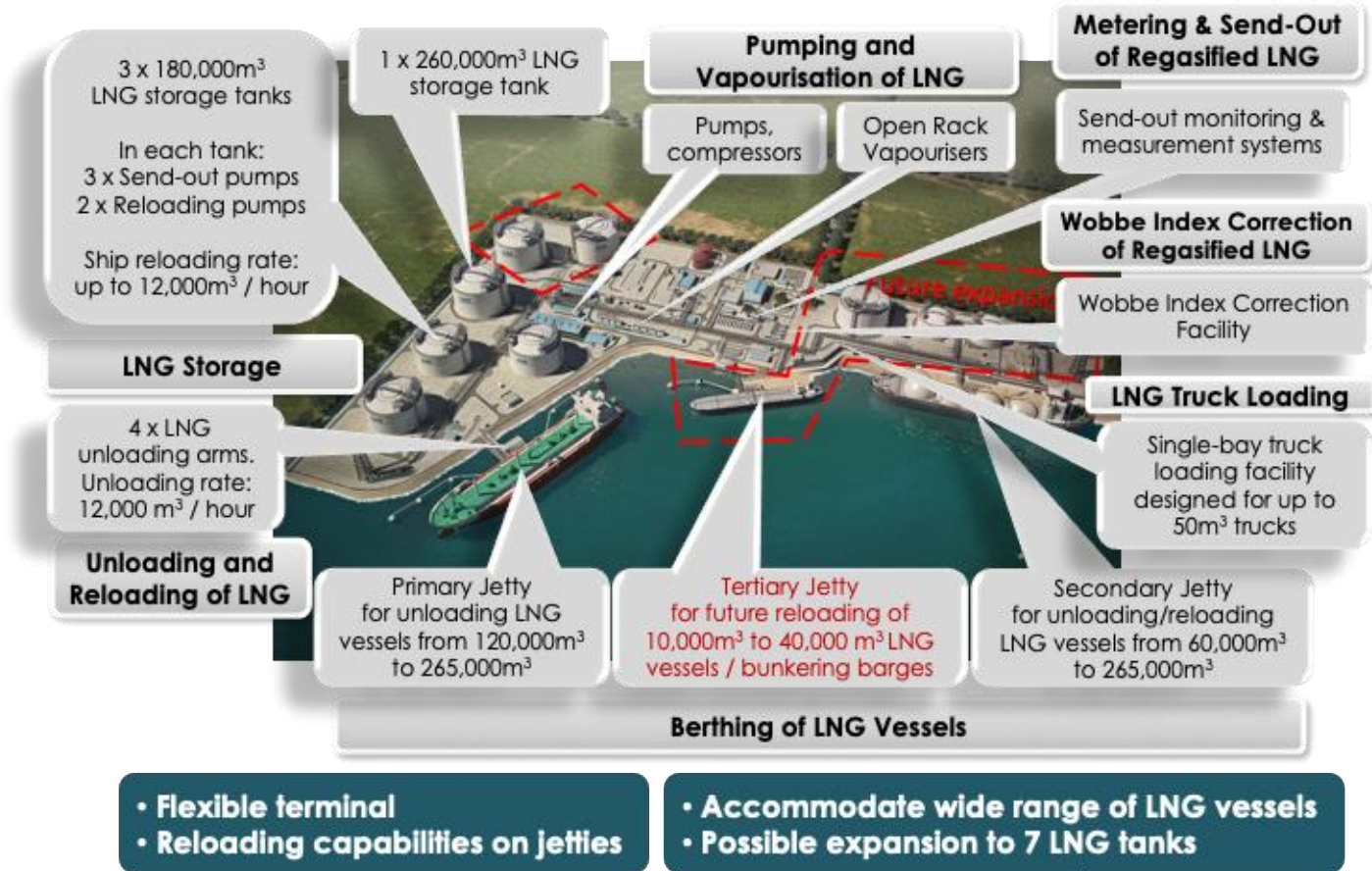
In liquidity we ,trust‘.

In liquid traded markets prices reflect the underlying supply-demand-balance, minimising the risk of manipulation, allowing forward price transparency and facilitate investment.

		TTF Hi Cal 51.6*							
		Code	Qty	Bid	Ask	Qty	Code	Last	Volume
+ -	WD	PGAS	100	15.500	15.550	85	PGAS	15.475	2764
		PGAS	84	15.450	15.550	100	PGAS	15.525	
+ -	DA	PREB	65*	15.650	15.675	5	PGAS	15.650	26995
		SPEC	120	15.650	15.675	20	PGAS	15.650	
+ -	BOW							16.225	
+ -	W/END	PGAS	120	15.550	15.575	60	TFS	15.550	48138
		GFI	180	15.525	15.575	20	PGAS	15.550	
+ -	Apr-17	ICAP	30	15.925	15.950	30	ICAP	15.935	5325
+ -	May-17	ICEF	10	15.925	15.935	30 <sup>3</sup>		15.925	1351
+ -	Jun-17	ICEF <sup>1</sup>	10	15.905	15.925	30 <sup>2</sup>		15.925	485
+ -	Jul-17	<sup>2</sup>	30	15.780	15.885	30 <sup>3</sup>		15.865	
+ -	Aug-17	ICAP <sup>2</sup>	30	15.800	15.915	30 <sup>3</sup>		16.175	
+ -	Sep-17	ICAP	30	15.950	16.100	30 <sup>3</sup>		16.025	
+ -	Q217	ICEF <sup>2</sup>	5	15.935	15.939	30 <sup>3</sup>		15.960	270
+ -	Q317	ICEF	5	15.925	15.944	10	ICEF <sup>4</sup>	15.940	430
+ -	Q417	ICEF <sup>3</sup>	5	16.735	16.750	5 <sup>2</sup>		16.725	250
+ -	Q118	ICEF <sup>2</sup>	5	17.250	17.250	5	GRFN	17.265	325
+ -	Sum 17	ICEF <sup>3</sup>	5	15.929	15.950	5	PGAS	15.950	1340
+ -	Win 17	ICEF	20	16.975	16.998	5 <sup>3</sup>		17.000	495
+ -	Sum 18	GFI	15	15.775	15.820	10	ICEF <sup>2</sup>	15.800	160
+ -	Win 18	GFI	10	17.075	17.120	5	ICEF <sup>3</sup>	17.075	590
+ -	Good Friday								
+ -	2018	ICAP	10	16.400	16.425	10	SPEC	16.430	260
+ -	2019	<sup>2</sup>	10	16.275	16.325	10	SPEC <sup>2</sup>	16.325	170
+ -	2020	ICEF	10	16.250	16.275	10 <sup>2</sup>		16.200	111
+ -	2021	<sup>2</sup>	5	16.125	16.325	10 <sup>3</sup>		16.275	
+ -	Gas Yr 17	<sup>3</sup>	5	16.373	16.419	10	ICEF <sup>3</sup>	16.360	
+ -	Gas Yr 18	<sup>3</sup>	5	16.272	16.523	5 <sup>2</sup>		16.900	

# Barcelona: LNG trading platforms and terminals offer plenty of opportunities for price discovery trading – ,hub development‘ at wholesale level.

## Overview of Terminal Facilities



Barcelona: LNG trading platforms and terminals offer plenty of opportunities for price discovery trading – ,hub development‘ at wholesale level.

# HOW THE PLATFORM WORKS

GLX PROVIDES A SIMPLE AND EFFICIENT MEANS TO TRADE PHYSICAL LNG

The Platform has been designed to support the specialised nature of LNG trading and caters for the specific commercial and operational parameters of each trade



## TRADE DETAILS

Sell or Buy on Free On Board (FOB) or Delivered Ex-Ship (DES) basis

### VALIDITY PERIOD

Tender - 1 hour, 23 hours and 71 hours



## COUNTERPARTIES

Members decide who they trade with



## TERMS & CONDITIONS

Members choose - Use their existing MSA terms or they can use the GLX standard MSA – the choice is theirs



## ANONYMOUS & TRANSPARENT

Participant identities are anonymous and have the added benefit of seeing trading activity completed on the platform in real-time



## CREDIT CONTROL

The credit control matrix allows members to manage counterparty credit on a per trade basis



16:30hrs



17:00hrs

## RE-BID CAPABILITY

2 trading windows to cover Pacific & Atlantic  
The Platform offers a unique capability of bidding and re-bidding on any trade

STRICTLY PRIVATE AND CONFIDENTIAL

GLX THE GLOBAL LNG MARKETPLACE

