

**Sally Bogle**

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Strong uptake for spot LNG trading in Asia

Singapore-based trading platform Global LNG Exchange has seen a significant ramp up in its membership base

GLX's members now comprise most of Asia's major LNG buyers and sellers, international energy companies and commodity trading houses. Its growing cohort of European, US and Russian members will see the group open an outlet in London later this year.

The office will specifically serve Atlantic Basin clients, providing marketing and technical support to its growing band of European members. "Membership from Europe is in double digits and growing. We expect it will continue to grow as we increase our physical presence in Europe and US LNG export projects continue to come online," says CEO Damien Criddle.

"As part of the increasing focus on Europe and the Americas generally we will also be releasing new features shortly aimed more directly at sellers and buyers from the US Gulf Coast projects," he says. "providing them with increased transparency and trading options at what will become a very liquid point next year as delayed LNG projects start-up."

GLX's platform enables buyers and sellers to settle transactions on screen via an end-to-end online tender solution. Hitherto, traders have typically agreed bilateral arrangements offline, a process which can involve multiple emails, phone calls and instant messages between parties and be hard to keep track of.

By requiring its members to sign off on a host of legal, regulatory and other requirements when they join, GLX's platform simplifies and speeds up the actual deal making process. It also enables buyers and sellers to bid into a 'marketplace', monitor and build upon their transactions in one place, something that simplifies the process on the administrative side and ultimately facilitates speedier trading.

Like the global LNG market itself, the platform's services are evolving as members become more comfortable with the concept of buying and selling LNG online. In its latest move, GLX plans to release bid-offer functionality in the platform in first week of August 2018.

"This will allow members to place bids and offers that are firm and executable in addition to the tender system we have on the platform. We have several of our members who don't traditionally do tenders that are keen to use the bid-offer functionality so looking forward to its release to the market," says Criddle.

GLX sits alongside a number of pricing, indexing, futures and derivatives services springing up in the global LNG market as buyers and sellers push for more visibility and price discovery on the trading and spot pricing side.

Web futures

The platform's online format is timely given the trend towards digital technologies and their ability to streamline processes and provide more transparency on deal pricing.

GLX's highest-profile seller to date was Malaysia's Petronas which used the tender-based platform to market an ex-ship cargo of LNG to 30 of GLX's registered members. At the time, Ahmad Adly Alias, Petronas VP of LNG marketing & trading, said the use of GLX's platform proved its "commitment [to] innovation and digitalisation, which we believe will contribute towards a more transparent and efficient LNG marketplace" and was a more effective way for price discovery.

Latest data from the International Gas Union (IGU) shows that over 293 million tonnes of LNG was traded in 2017, a 12% increase on 2016 levels and the highest annual growth since 2010. Of this, 88 mt was traded on a spot or short-term basis, equal to 30% of total traded LNG and a 16 mt increase on 2016 levels.

According to the International Group of LNG Importers (GIIGNL), spot LNG imports are being facilitated by LNG contracts with destination flexibility, by increased contracting for portfolio trade and by the growing volumes handled by traders.

Asia received about 60% of spot LNG in 2017 (35.4 mt), followed by Europe (9.0 mt), the Americas (8.6 mt) and the Middle East (5.5 mt). The largest growth in spot imports came from China and South Korea, which imported 21% and 22% respectively of their LNG supplies on a spot basis.

Pure spot LNG imports—defined as LNG deliveries which occurred less than three months from the transaction date—reached approximately 20% of total volumes delivered in 2017, representing about 59 mt. Last year, there was also a notable spike in spot charter rates as demand for ships to transport US LNG started climbing.

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