Heren LNG Markets Daily

Energy Prices | News | Analysis

MARKET COMMENT

Strong Asian demand for H2 December

Demand in northeast Asia remains strong as buyers in Japan and China aim to secure volumes for second-half December delivery.

Liquidity for this period is still seen as relatively thin, given that sellers have virtually no access to flexible volumes in the Pacific basin. The situation is only slightly better in the Atlantic basin, where traders are relying on unconventional means of supply, including reloads from northwest Europe.

"There are no free on board (FOB) cargoes available from the main production points that could be used to supply Asia in December," one portfolio seller said.

"Some suppliers are looking to northwest Europe and Spain for potential supply deals, but these opportunities are very limited now," he added.

A series of planned maintenance programmes which kick in across several liquefaction plants over the final two months of the year are likely to add to supply tightness, Simon Henry, Anglo-Dutch major Shell's CFO, said in the company's quarterly presentation on 31 October.

Shell, which exports from Russia, Malaysia, Australia, Oman, Brunei, and Nigeria, expects to sell 900,000 less tonnes of LNG in the final quarter of 2013, compared with the equivalent period last year when it recorded 5.5m tonnes of sales, the CFO said.

Additionally, Trinidad's train 4 is also scheduled to be shut for maintenance in November.

Prices for delivery to Japan in the second half of December were in the high $17.00s/MMBtu, while second-half January cargoes are now trading at above $18.00/MMBtu, according to a seller active in the region. This was echoed by another seller who said second-half December cargoes are now in the high $17.00s/MMBtu, close to $18.00/MMBtu.

Demand in China was cited as the key factor for the continuous upward trend seen across the four main markets in northeast Asia.

After the failure of the latest tender from state-owned oil and gas company PetroChina to yield any results, the company is still looking to purchase 10-15 cargoes for the upcoming winter, including one cargo for delivery in second-half December.

The tender for four cargoes closed on 18 October, but no awards were made as offers submitted were extremely high, sources said. The company anticipates a shortfall of 8 billion cubic metres (bcm) to 13.5bcm » Page 2

SPOT LNG – EAST ASIA INDEX (EAX) $/MMBtu

Location	Dec '13	Day on day diff	Jan '14	Day on day diff
EAX	17.831	0.150	18.100	0.150

Methodology: The ICIS Heren Regional Indices are calculated averages of the DES assessments for each country within the region. The individual assessments used for each monthly index are published in the SPOT DES ASSESSMENTS table on page 2 of this report. Five half-month inputs are provided for the EAX, in addition to the two full front month indices. See table below. The ICIS Heren Regional Indices are a continuation of the ICIS Heren Pool Price series, published since 8 June 2010. The methodology is unchanged, except for the roll date moving forwards to the 16th of the month. Regional Indices for other locations are published at the bottom of this page. **Full methodology document.**

SPOT LNG – KEY ICIS ASSESSMENTS $/MMBtu

Location	DES/FOB	Delivery/loading period	Price	Day on day diff
Spain Reload	FOB	15-45 days	14.000	n/a
West Africa	FOB	20-40 days	14.400	0.000
India	DES	December '13	15.200	0.000
Argentina	DES	December '13	16.130	-0.040

SPOT LNG – EAST ASIA HALF MONTH INPUTS $/MMBtu

	1H Dec 2013	Day on day diff	2H Dec 2013	Day on day diff	1H Jan 2014	Day on day diff	2H Jan 2014	Day on day diff	1H Feb 2014	Day on day diff
EAX	17.788	0.150	17.875	0.150	18.050	0.150	18.150	0.150	18.250	n/a
Japan	17.800	0.150	17.900	0.150	18.050	0.150	18.150	0.150	18.250	n/a
South Korea	17.800	0.150	17.900	0.150	18.050	0.150	18.150	0.150	18.250	n/a
China	17.800	0.150	17.850	0.150	18.050	0.150	18.150	0.150	18.250	n/a
Taiwan	17.750	0.150	17.850	0.150	18.050	0.150	18.150	0.150	18.250	n/a

EAST ASIA SPOT BIDS AND OFFERS $/MMBtu

Bid/Offer	Delivery Period	Price	Origin	Destination
Offer	H2 December	18.000	TBC	Japan
Offer	H1 January	18.500	TBC	Japan
Offer	H2 January	18.500	TBC	Japan
Bid	H1 December	17.250	TBC	Japan
Bid	H2 December	17.250	TBC	Japan

SPOT LNG – REGIONAL INDICES $/MMBtu

Location	Dec '13	Day on day diff	Jan '14	Day on day diff
South America (SAX)	15.630	-0.073	15.830	-0.077
Mediterranean (MDX)	13.967	0.000	14.533	0.000
NW Europe (NEX)	10.871	-0.214	11.082	-0.165
Iberia (IBX)	12.442	-0.516	12.764	-0.532

Methodology: The ICIS Heren Regional Indices are calculated averages of the individual DES assessments for each country within the region. The methodology is the same as for the EAX and these indices are also a continuation of the Pool Price series, published since 8 June 2010. The individual assessments used for each monthly index are published in the SPOT DES ASSESSMENTS table on page 2 of this report. **Full methodology document.**

CHARTER RATES $/d

	Price	Day on day diff
Atlantic prompt	105000	10000
Pacific prompt	97500	4500
Atlantic mid-term	78000	0
Pacific mid-term	78000	0

Markets/Shipping

SPOT DES ASSESSMENTS								$/MMBtu
Location	**Dec '13**	Day on day diff	**EAX Spread**	**NBP Spread**	**Jan '14**	Day on day diff	**EAX Spread**	**NBP Spread**
Japan	17.850	0.150	0.019	6.633	18.100	0.150	0.000	6.608
South Korea	17.850	0.150	0.019	6.633	18.100	0.150	0.000	6.608
China	17.825	0.150	-0.006	6.608	18.100	0.150	0.000	6.608
Taiwan	17.800	0.150	-0.031	6.583	18.100	0.150	0.000	6.608
Singapore	17.500	0.150	-0.331	6.283	17.800	0.150	-0.300	6.308
Thailand	17.700	0.150	-0.131	6.483	17.900	0.150	-0.200	6.408
India	15.200	0.000	-2.631	3.983	15.450	0.000	-2.650	3.958
Dubai	14.524	-0.046	-3.307	3.307	14.795	-0.035	-3.305	3.303
Kuwait	14.424	-0.046	-3.407	3.207	14.695	-0.025	-3.405	3.203
Turkey	14.350	0.000	-3.481	3.133	15.100	0.000	-3.000	3.608
Greece	14.400	0.000	-3.431	3.183	14.950	0.000	-3.150	3.458
Italy	13.150	0.000	-4.681	1.933	13.550	0.000	-4.550	2.058
Spain	12.767	-0.166	-5.064	1.550	13.139	-0.107	-4.961	1.647
Portugal	12.817	-0.166	-5.014	1.600	13.239	-0.107	-4.861	1.747
Netherlands	10.660	-0.219	-7.171	-0.557	10.754	-0.195	-7.346	-0.738
Belgium	10.726	-0.212	-7.106	-0.492	10.941	-0.155	-7.159	-0.551
France	11.105	-0.214	-6.726	-0.112	11.375	-0.156	-6.725	-0.118
Britain	10.993	-0.212	-6.838	-0.224	11.260	-0.154	-6.840	-0.233
US Gulf	13.730	-0.090	-4.101	2.513	13.890	-0.090	-4.210	2.398
Chile	15.830	-0.090	-2.001	4.613	16.090	-0.090	-2.010	4.598
Brazil	14.930	-0.090	-2.901	3.713	15.090	-0.090	-3.010	3.598
Argentina	16.130	-0.040	-1.701	4.913	16.310	-0.050	-1.790	4.818

The EAX spread value represents the individual DES assessment for the contract minus the EAX price for corresponding period. The NBP spread represents the individual DES assessment for the contract in question minus the ICIS Heren benchmark NBP assessment published in European Spot Gas Markets on the day prior to publication.

FOB RELOAD ASSESSMENTS		$/MMBtu
	Nov '13	Day on day diff
Zeebrugge	13.74	-0.31
US Gulf	13.93	-0.09

SPOT FOB ASSESSMENTS		$/MMBtu
Location	**Price**	Day on day diff
Middle East	16.260	0.040
North Africa	15.200	0.090
West Africa	14.400	0.000
Far East	17.180	0.070
Trinidad	13.530	-0.090
Northeast Asia	17.290	0.090
Australia	15.450	0.000
Northern Europe	14.470	0.050

Australia, West Africa and Trinidad FOB prices are assessed using transactions, bid/offer information, tender information and other relevant pricing information. The loading period is 20-40 days ahead of the publication date. Remaining FOB assessments are derived using a model that builds incremental forward curves using ICIS DES assessments. FOB prices are established using the highest netback value achievable globally from the 20-40 day loading window, according to this model. **Full methodology document.**

LATEST GLOBAL SPOT TRANSACTIONS				$/MMBtu
Transaction date	**Delivery Period**	**Price**	**Origin**	**Destination**
TBC	17/11/2013	$17.60-17.70	Soyo	Futtsu
22/10/2013	17/11/2013	$17.50	Soyo	Futtsu
25/10/2013	20/11/2013	TBC	Nigeria	Incheon
TBC	23/11/2013	TBC	Huelva	Futtsu
TBC	17/11/2013	TBC	Bonny	Yung An

» Continued from page 1

between November 2013 and March 2014, a PetroChina source said.

Angola LNG cargo sold to Marubeni

The 160,000 cubic metre (cbm) *Soyo* is due to arrive at Futtsu LNG terminal in Japan on 17 November. The cargo was bought from the Angola LNG facility during the facility's last DES (delivered ex-ship) tender.

The cargo was purchased by Japanese trading house Marubeni for around $17.50/MMBtu. Marubeni, in turn, sold the cargo to Tokyo Electric (TEPCO) at around $17.70/MMBtu, sources said.

This was the fifth cargo produced by the Angola LNG facility. The facility is currently in shutdown phase, according to an Angola LNG spokesman. The shutdown phase is expected to last 52 days.

Indian buyers out of the market

Strong prices in northeast Asia have largely priced Indian buyers out of the prompt market, traders in the country said.

The offers for delivery to India in December stood at $16.10-16.20/MMBtu, while the maximum price that the Indian buyers were willing to commit to was in the low $15.00s/MMBtu. Less clarity was seen for the January market, but the offers were said to approach mid $16.00s/MMBtu.

"The Indian buyers have access to alternative fuels, including coal and oil products. This gives them some time to manoeuvre on the market," one seller active in India said.

"However, with such strong demand elsewhere, it is unlikely that they will be able to push the sellers toward their goal price," the seller added.

BP ship heads to Manzanillo

The BP-controlled 138,000cbm *British Innovator* is heading south through the Atlantic Ocean after picking up reload volumes from Sagunto LNG terminal on 7 October.

The vessel is understood to be carrying BP's latest commitment to Mexican utility Comision Federal de Electricidad (CFE).

The British company was awarded eight cargoes for delivery to the Manzanillo terminal on Mexico's Pacific coast in a tender organised earlier this year. Swiss trader Trafigura and German utility RWE were awarded 19 and two cargoes respectively by CFE in the same round.

The *British Innovator's* delivery will be made despite an ongoing force majeure at Manzanillo since mid-September following a damage to a pipeline connecting the facility to the Mexican distribution grid.

NBP COMMENT

Natural gas contracts were bearish from prompt to far curve at the NBP on 31 October, with a rising pound and traders closing long positions the key drivers behind the downward movement.

Adding pressure to the prompt was the postponement of maintenance work at the Teesside processing plant, which was due to start on 31 October. The outage will now take place on 8 November, restricting capacity at the facility by 100% for four days.

The rise in the pound relative to the euro followed news of a four-year low in eurozone inflation, leading to expectations of a loosening monetary policy.

Trade data seen by ICIS indicated a heavy sell-off on prompt and near-curve contracts. Weakness at the front played into the near curve, with all monthly contracts assessed by ICIS barring one losing at least one penny. November '13 shed value on its last day of trading but closed at the highest expiration for a front-month contract at the end of October since 2008.

In addition to the currency shift, the price of Brent crude fell on 31 October, adding further pressure to contracts on the far curve.

NYMEX COMMENT

NYMEX natural gas futures extended their recent losing streak into a fourth straight session as the milder temperature outlook for early November offset a bullish weekly gas storage report from the Energy Information Administration (EIA), which documented a below-average injection into US inventories over the week ended 25 October.

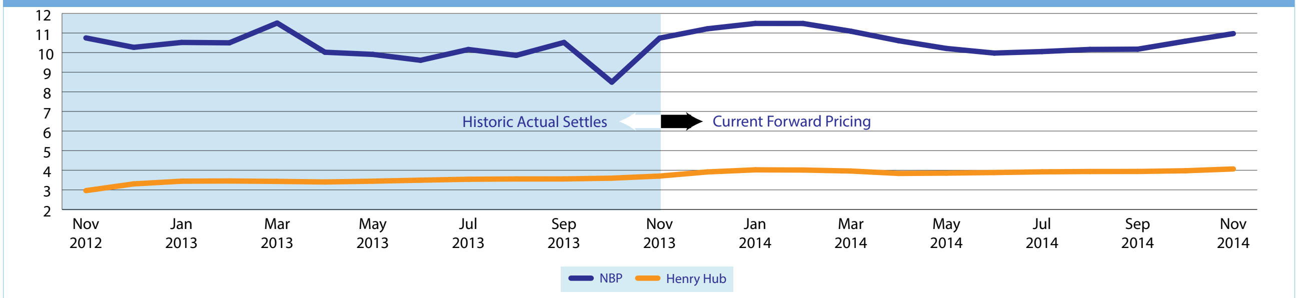
The December contract closed its second day as the front month lower by $0.04/MMBtu to close at $3.58/MMBtu, a fresh two and a half month low.

Concerns over high inventory levels and the near-term milder weather outlook pushed 2014 delivery contracts even lower, leaving the Henry Hub benchmark average for next year at $3.73/MMBtu.

Underground storage levels across the lower 48 grew by 38 billion cubic feet, or 1.1 billion cubic metres, over the week ended 25 October, the EIA said in its weekly gas storage report.

Stock levels now stand just below 3.8 trillion cubic feet, the equivalent to 97% of working capacity, although they remain at 3% below year ago levels and less than 2% above the five-year average following the latest injection.

US vs UK FRONT MONTH $/MMBtu



KEY OIL AND GAS PRICES $/MMBtu

Location	Price	Diff
ICIS Heren NBP Nov '13	10.740	-0.231
ICIS Heren NBP Dec '13	11.217	-0.216
ICIS Heren Zeebrugge Nov '13	10.479	-0.243
ICIS Heren Zeebrugge Dec '13	10.947	-0.216
ICIS Heren Japan Import Nov '13	16.354	0.000
ICIS Heren Japan Import Dec '13	16.433	0.000
Latest Published JCC Sep '13	18.640	0.025
NYMEX Henry Hub Dec '13	3.581	-0.039
NYMEX Henry Hub Jan '14	3.663	-0.048
ICIS Brent Nov '13	18.892	-0.178
ICIS Brent Dec '13	18.830	-0.178
NYMEX WTI Dec '13	16.667	-0.067
NYMEX WTI Jan '14	16.713	-0.071

BUNKERS: SPOT DELIVERED PRICES $/tonne

	IFO 380		IFO 180		MDO		
	Price	Day on day diff	Price	Day on day diff	Price	Day on day diff	Updated
Singapore	616.00	1.00	627.00	2.00	918.00	2.00	**01/11/2013**
Rotterdam	586.50	1.00	612.00	-0.50	n/a	n/a	**31/10/2013**
Fujairah	622.00	1.00	655.00	2.00	n/a	n/a	**31/10/2013**
Houston	599.50	0.50	674.00	1.00	n/a	n/a	**31/10/2013**

Source: Bunkerworld

AVAILABLE FOR CHARTER

Ship name	Effective control	Availability window	Period	Size m^3	Location	Tanks
Gimi	Golar	Prompt	Open	125,000	Atlantic basin	Warm
Excelerate	Excelerate	Prompt	Open	138,000	Atlantic basin	Cold
Golar Seal	Golar	Prompt	Open	160,000	Pacific basin	Warm
Golar Celsius	Golar	Prompt	Open	160,000	Pacific basin	Warm
LNG Gemini	Golar	Prompt	Open	127,000	Atlantic basin	Cold
Wilpride	Awilco	November	Open	156,000	Pacific basin	Warm

BG Group stays optimistic on Egypt LNG output

UK-based BG Group has been given a "very strong guarantee" from the Egyptian government that the Egypt LNG (ELNG) plant at Idku will remain in operation for the remainder of 2013 and into the country's peak summer demand season next summer, CEO Chris Finlayson said on 31 October.

Egypt's soaring domestic gas demand has negatively affected existing LNG exporters, including BG Group and France-based energy group GDF SUEZ at the 7.2mtpa ELNG plant and Spain's Union Fenosa Gas at the 5.5mtpa Damietta plant.

As a result of LNG feedgas diverted to domestic usage, the Damietta LNG plant stopped exporting in December 2012, and the Idku LNG plant operated a reduced loading schedule over the summer of 2013.

The production issues in Egypt, coupled with disruptions from Nigeria LNG (NLNG), affected BG Group's delivered LNG volumes, which fell by 13% year on year to 2.7m tonnes, or 44 cargoes. This was six fewer cargoes than the comparative period last year, including three fewer from NLNG and two fewer from ELNG.

While the reduction in managed volumes contributed to a 12% year-on-year fall in operating profit for the group's LNG marketing arm to $602m, interim CFO Den Jones said the company had held its full-year LNG profit guidance at $2.5bn-2.7bn.

BG said that the domestic offtake from its offshore West Delta Deep Marine (WDDM) concession stood at its technical maximum of around 1 billion cubic feet (bcf)/day during the third quarter.

However, this has fallen to between 700 million cubic feet (mcf)/day and 750mcf/day in October, and the company has received assurances from the Egyptian authorities that it will remain at this rate through the fourth quarter. This would allow BG to increase production at ELNG above the 30% utilisation rate that it has run at during the summer.

The UK-headquartered company reiterated that its WDDM Phase 9a development project, which may potentially ease some of the supply tightness, was expected to start up in the second half of 2014.

However, Finlayson said that BG required further assurances from the Egyptian government regarding future domestic offtake levels from WDDM and an improvement in the government's debt position to BG before it commits and releases funds for WDDM Phase 9b (the next phase of development, aimed at prolonging plateau production of around 1bcf/day).

"We are engaged in talks at the highest level ... We want to invest in Egypt, but we need the right conditions," said Finlayson.

Despite the supply issues in Egypt allied to the ramp-up of its supply commitments in Singapore, the BG CEO was confident the group would have enough flexibility in its portfolio to meet its existing term supply contracts in 2014, although the company did not quantify how much LNG it was expected to have available for spot and short-term trade over the coming year. **Ben Wetherall**

Israeli gas to Turkey will cost less than Russian volumes – source

A total of 8 billion cubic metres (bcm) of Israeli natural gas could reach Turkey by 2016 at prices that are more competitive than Russian volumes, but more expensive than prospective prices for northern Iraqi gas, a source close to negotiations told ICIS.

In a second phase, possibly in 2016-2019, Turkey could also hope to add 1.5-2.0bcm/year of gas from southern Cyprus, but such a development depends on a thaw in the current political stand-off between the two nations.

Turkey is in talks with Israel over the import of natural gas from its offshore resources, and Turkish company Turcas Petroleum has already applied to build a 470km pipeline.

ICIS understands that the gas prices currently under discussion between Turkey and Israel range at $320.00-390.00/thousand cubic metres (kcm), which is cheaper than the $429.00/kcm that Turkish state company BOTAS pays for imported Russian natural gas, the source said.

He noted that the range would still be higher than the estimated $250.00/kcm that prospective northern Iraqi gas could be sold to Turkey for. A total of 10bcm/year is expected to reach Turkey from the Kurdish Region of Iraq by 2016.

"The prices discussed in Israel are taking the Russian BOTAS price as a benchmark," the source said.

"In a first phase, it is very likely that we are going to see Israeli gas coming to Turkey by 2016, which may be followed by gas from southern Cyprus. However, this very much depends on Turkey's relationship with Nicosia because Turkey insists that northern [Turkish] Cyprus also gets a share of the proceedings. It will not be acceptable to have just southern Cyprus [involved]."

The source said the volumes will be earmarked for Turkey in a first stage, but there is also the possibility for reserves to reach European markets via Turkey.

The discovery of the Leviathan and Tamar offshore fields in Israel as well as Cyprus' Dolphin and Aphrodite fields put the countries on the path to energy independence and open up export opportunities for pipeline or LNG from Turkey to eastern Asia. Combined, the resources of Israel and Cyprus exceed 1 trillion cubic metres of natural gas.

However, some regulatory ambiguities in Israel related to the quotas earmarked for internal consumption and volumes sold abroad have raised doubts about the country's ability to become an exporter.

A High Court decision in Israel on 20 October ruled in favour of government plans to allow the export of 40% of the country's natural gas. It will also entitle Jordan to start receiving gas exports immediately. **Aura Sabadus**

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