Spot and Short-term LNG Trading

25-26 May 2017 - Singapore
Understand the unique features of the LNG industry and face challenges head-on

About the Course

The LNG industry was established on the foundations of long-term contracts supplying an uninterrupted flow of natural gas to the consuming market and a corresponding steady flow of cash back to the project to support its financing. This model has allowed a very high capital cost industry to establish itself but it ignores the reality of seasonal gas demand fluctuations in markets and demand changes due to the unexpected, such as nuclear power shutdowns due to natural disasters.

Spot and short-term LNG transactions registered an astonishing 38% per annum growth from the turn of the millennium to 2011 to try to meet these demand fluctuations. Since then such transactions have hovered around 70 million tonnes per annum, or 29% of global LNG market volume. It is poised to register another dramatic increase over the next few years as a wave of new supply from the US Gulf Coast comes on stream. Much of that supply does not have a designated long-term market. Virtually all of it is, by contract, destination flexible.

The dynamic outlook for the industry has sparked huge interest in spot and short-term LNG trading, with some 35 traders now having set up shop in Singapore alone. The dynamics of spot and short-term LNG trading are global in scope and heavily constrained by the real logistical challenges of handling LNG. LNG infrastructure is unique and LNG is very costly to ship and to store. Parcel sizes are usually whole shiploads, making LNG trading a high stakes business. The momentum behind short-term trade has led many to presume, and others to actively seek, a fundamental reorientation of the commercial structure of LNG trade as a whole toward LNG-specific short-term price markers, such as JKM, hub-style LNG terminals offering storage and reload, bulk breaking, and other services. Singapore and other regional financial centres have pushed to develop additional price markers and derivative risk management tools.

Yet through it all, spot and short-term LNG trading has remained a small amount of the overall market except for major LNG aggregators exercising a strong – though certainly not, in today’s supply-long market, impregnable – position. Such LNG aggregators link their activities to asset positions along the value chain, optimizing of long-term supply and shipping portfolios, firm capacity in LNG import terminals and downstream sales portfolios in major gas markets. Successful traders will understand the advantages and biases that such positions create, and structure their own strategies and optimization endeavours in ways that either complement the aggregators or extend the market in ways where aggregators are reluctant to go. Others will use their trading ambitions and capabilities to construct and consolidate their broader positions to achieve their own competitive advantages.

It is, in sum, a very confusing, competitive, and potentially dangerous world. Even if a company’s core team understands the dynamics well, there is still a risk that the company will fail to realize its potential due to inadequate understanding, support and integration across the wider firm and out into the firm’s ecosystem of supporting professionals. For companies who are just now entering the short-term LNG trading arena, the risk and challenges of building a robust business can be even greater. Poten’s LNG trading course is designed specifically to equip attendees to meet these risks, face these challenges, understand the unique features of the LNG industry and move toward success.

Who Should Attend

- Staff with responsibility to establish or consolidate newly formed LNG trading businesses, particularly those founded on long-term supply contracts or liquefaction tolling capacity
- Gas buyers seeking to optimize their supply position and manage seasonal demand variations
- Experienced natural gas traders who need orientation on traded LNG markets
- Staff who are from well-established trading entities but do not have a strong background in LNG trading
- Line managers who are seeking to better integrate LNG trading into their business units, or who are considering setting up an LNG trading business
- Support professionals, including from professional service firms, who are seeking to better understand LNG trading
- Government officials involved in oversight of companies that trade LNG
- Shipping companies and terminal operators that need to understand the short-term business
Our mission

Our objective in the course is to provide the conceptual and practical tools to properly understand LNG trading, develop and effective LNG trading business, and devise and execute sound LNG trading strategies. We also aim, through our case studies and discussions, to help attendees bridge the course materials and their specific job and business requirements, with immediate and significant benefit to their careers and the sponsoring organizations.

An essential part of our value proposition is to give attendees direct, in-depth exposure to leading experts who have worked in a variety of roles across the extended LNG value chain. This gives participants a unique opportunity to appreciate the particular opportunities and challenges of trading in this vast, fast-growing, and unique part of the worldwide energy industry.
Gain real-world experience through tested instruction techniques

The Poten Method

The method for this two-day course includes instruction sessions, ample opportunity for both group and one-on-one questions, and team-based case studies designed to complement the key messages of the course and give the participants initial hands-on experience in applying learnings in the real world.

Real World Cases Come To Life

- CASE I: The logic and constraints of European reloads
- CASE II: Profile of a pure trader – lessons learned for real life
- CASE III: Indonesian short-term trading: a view from Tangguh
- CASE IV: LNG trading simulation
In-depth coursework delivered by unrivaled experts within the industry

Course syllabus

**Introduction: Why Trade?**
Dynamic global natural gas and LNG world market
Industry unbundling and growth of liquidity – destination restrictions and divertible cargoes
Increasing number of import terminals
Growth of the LNG fleet and of independently owned ships
Portfolio players, traders, end users
Sub-optimized existing LNG trades
Margin gains from shipping and price arbitrage

**Marketing LNG and Gas in Asia**
Asian gas market overview
How gas is traded in Asia
Major price indices and key drivers
The future development of Asian gas market

**Marketing LNG and Gas in the Atlantic Basin**
European gas market overview
Major price indices
How gas is traded in Europe
North America gas market overview
Major price indices
How gas is traded in North America

**How to Plan an Optimal LNG Supply Portfolio**
Development of LNG master sales agreements (MSAs) for spot and short-term deals
Using flexibility within LNG sale and purchase agreements (SPAs) to trade LNG
LNG liquefaction tolling agreements (LTAs) and the interface with domestic gas markets
Short-term LNG supply and demand tenders
Spot cargo trading
Managing LNG / gas quality issues

**Optimization of LNG Storage and Shipping**
Terminal use agreements and other import capacity arrangements
LNG loading constraints and procedures
Loading and unloading windows and penalties
Role of storage and shipping
Summary of shipping costs
The long-term LNG ship charter market and its place in trading
The spot and short-term ship charter market
LNG boil-off, cool-down issues and managing the LNG heel
Voyage optimisation: weather issues, demurrage, speed, fuel consumption, forced boil-off, ballast voyage options and bunkers management
Swaps as a shipping optimization tool

**Practicalities and Procedures of LNG Trading**
Term sheet structure and key features
Key features of LNG SPAs and MSAs
Credit requirements
LNG charter parties – negotiating the main terms
LNG terminal use agreements – outline structure
Parcel sizes and safe loading ranges for ship tanks
Ship vetting and terminal clearance process
Ship compatibility with the terminal
Cargo inspection and custody transfer

**Trading Strategies and Tactics**
**Tools and Methodologies**
Maximizing long-term contract flexibility
Availability of LNG cargoes for buying or selling on the spot LNG market
Taking on long or short LNG positions
Market trends
Negotiating the deal

**Risk Management**
Major risks such as cross commodity risk
Reliability, liquidity and transparency of LNG price indexes compared to other oil and gas price indexes
Title transfer and taxation issues – an overview
Changing appetites for credit and other risks
Risk management tools – hedges, swaps, letters of credit.

**Key Current Issues**
LNG storage and the role of hubs
Financial products / paper trading and development of LNG price indices
Small scale LNG and transshipment
LNG for marine fuel

**Conclusion**
Building lasting competitive advantage in the future LNG industry

**Course fee: US$2,695**
The fee includes refreshments, lunches and a special participants evening meal hosted by the course instructors and Poten’s Singapore-based team.

**Reserve your place by contacting**
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Receive hands-on training from the largest group of LNG specialists in the industry

The course will be given by practicing experts in the LNG industry using a mixture of presentations and case studies. A course certificate will be presented on completion.

About the Instructors

Larry Marks
Senior Advisor

Jeff Goetz
LNG Commercial Manager

Simon Papa
LNG Broker

Mike Reimers
Senior Advisor

Larry Marks
Larry is a Singapore-based senior advisor in Poten’s consulting practice. Before joining Poten he was Vice President, Sales and Marketing for Tangguh LNG and LNG Business Manager, BP Trinidad & Tobago.

Jeff Goetz
Jeff heads Poten’s global LNG commercial practice, including LNG ship brokering and ship chartering activities. He has extensive experience in crude oil, LNG and tankers. Jeff is on the board of Poten & Partners and is based in London.

Simon Papa
Simon is Poten’s lead commercial broker for short and long-term LNG cargo sales agreements. Previously he was a Senior Originator with BP responsible for European natural gas and LNG. Simon is based in London.

Mike Reimers
Mike, a North American gas expert, is a senior consultant for Poten based in New York. His work experience includes Vice President & Chief Financial Officer, Cabot LNG Corporation (now part of ENGIE) and Executive Vice President, Statoil Energy Inc. Mike will present part of the course programme via video conference.
The course will provide a grounding in the commercial / economic components of the LNG liquefaction business and the technical, market and marine aspects of this sector. The course will provide an introduction to LNG and a detailed look at the LNG value chain, the origins of LNG trade, the dynamics of LNG contracts and the current business environment.

**Tools for Effective Participation in LNG Joint Ventures**
*Perth, Aug 24-25, 2017*

This targeted training course will enable those working in and with LNG joint ventures to move quickly down the learning curve. The course will help them to effectively engage with the venture operator and other venture partners. Individual skills and organizational capabilities needed to achieve world-class participation will be developed through this course. Participants will quickly gain the understanding and frameworks required for successful participation in upstream and liquefaction joint ventures.

**Spot and Short-term LNG Trading**
*Singapore, May 25-26, 2017*

The course will give attendees the conceptual and practical tools needed to understand, participate in and build an LNG trading business. It will also discuss the design and implementation of sound LNG trading strategies. The use of realistic case studies will bridge between the course material and specific job and business requirements. This will ensure the course has significant benefit to the participants and that the learning can be immediately applied.

**LNG FSRU Development**
*Houston, June 12-14, 2017*

The course will provide a foundational overview of the commercial and economic underpinnings of the LNG regasification business. It will also cover the associated technical, market and marine aspects of this sector. The course will have a strong focus on the development of floating regasification projects linked to power generation.

Get in touch today to secure your space at one of our training sessions!*

*Poten also offers these as in-house courses for clients, where they can be tailored to specific requirements. Contact details can be found on back cover.*
For additional information or to sign up for this course, please contact:

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