



LNG in World Markets

Freight Rates Continue to Climb as Arb Stays Open

The spot shipping market continues to recover from the lows it made over a month ago, with freight rates supported by a climb in LNG prices in the east and a TTF rally in Europe (see chart). Strong northeast Asian demand has kept the trans-Atlantic arbitrage open, further reducing shipping availability with much spot activity centered around eastern loadings for May and June (see market story).

The arb staying open for US Gulf Coast cargoes to Asia has supported day-rates higher throughout the past two weeks. The arb remains open despite a \$0.87/ MMBtu additional shipping cost to Asia compared to Europe and this will only continue to tighten shipping availability given round trips to Asia take twice as long as to Europe.

LNG Carrier Freight Rates Snapshot - \$/day

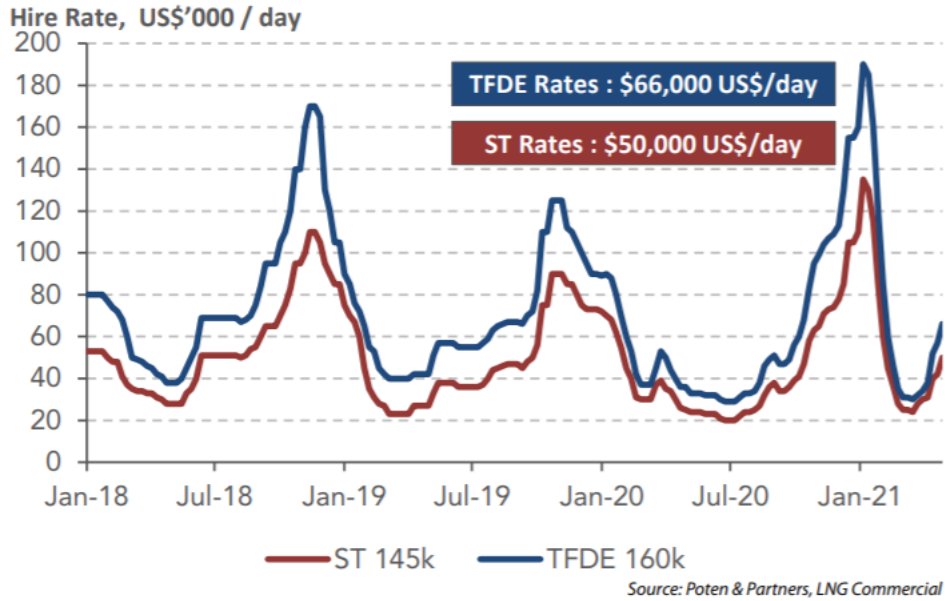
Region, engine, capacity	Wk ending Apr 30	Vs wk ago	Year Average
Atlantic Basin, TFDE/DFDE 160,000 m ³	70,000	Up 17%	83,944
Pacific Basin, TFDE/DFDE 160,000 m ³	62,000	Up 19%	72,444
Atlantic Basin, ST 138,000-150,000 m ³	55,000	Up 22%	63,000
Pacific Basin, ST 138,000-150,000 m ³	45,000	Up 13%	52,833
Atlantic Basin, MEGI, X-DF 174,000 m ³	80,000	Up 14%	93,667
Pacific Basin, MEGI, X-DF 174,000 m ³	72,000	Up 20%	82,333

Source: Poten assessments

Spot freight rates were up 13-20% in the week ending April 30 from the previous week, depending on ship size, type and engine design, according to Poten assessments (see table). Price increases in the Far East, both for spot and term cargoes, have continued to boost the market. For spot, several LNG carriers were sub-chartered in the last week of April for US Gulf and Pacific loadings and optimization trades in South America resulting from Argentinian cargo tenders.

Some portfolio players are looking for June supplies in Asia to cover their short positions in the region to avoid shipping US cargoes eastward amid higher freight costs. But with only a handful of June cargoes available amid competition also from Chinese buyers, it seems feasible that US supply will be required to balance demand and will lift freight rates in the process.

Spot Charter Rates



For term, some tonnage has been removed from the market and owners that did not have commitments can now command higher levels from charterers for fixtures. The arrival of Golden Week in Japan, which runs from April 29 to May 5, is not expected to cause a pronounced slowdown given that new spot requirements are starting to emerge and term positions are still in demand. Meanwhile, Petronas has signed a charter for three new 174,000 m³ LNG tankers with Korean shipbuilder Hyundai LNG Shipping, committed to Canada LNG. They should be delivered in 2Q 2024.