# Spot Prices Rise as Summer Buying Emerges

Asian and European spot LNG and gas prices remain supported by incremental summer demand and recent Russian gas supply disruptions in Europe.

JKM prices have remained low-$20s/MMBtu while the Dutch TTF benchmark is around high $20s/MMBtu. Spot cargoes delivering into western Europe continue to trade at substantial TTF discounts between $5 and $10/MMBtu, depending on the counterparties' positions.

Atlantic cargoes have been scrambling to secure limited discharge windows in western Europe where the arbitrage is pointing to – those that could not secure slots were diverted to lower-paying markets like India and Thailand. Asia-Pacific summer buying has emerged, with Japanese firms Jera and Hokkaido Electric Power heard to have sought volumes. Japanese spot demand, however, is expected to be moderate as LNG inventories build up.

Hokkaido Electric bought a summer cargo delivering either in June or July via a tender that closed on May 10, which was possibly awarded to a Japanese firm at around $20/MMBtu. Tohoku Electric is also heard to have summer interest. The utility secured a strip of 3-4 winter cargoes through a tender in late April possibly at low-20% Brent slopes plus big constants, although offers were heard at slopes in the high-20% to low-30%. The cargoes were awarded mostly to oil majors.

**Kogas seeks multiple-month supply**

South Korea's Kogas has issued a tender for a strip of cargoes delivering from summer through winter in May, as it looks to replenish stocks. The country is expecting warmer-than-average weather in the coming summer, according to early meteorological forecasts.

Kogas is seeking one cargo of at least 2.9 trillion Btu (58,000 tons) in size each month from July 2022 to March 2023. It will take the cargoes at its four terminals in South Korea. Kogas, however, is flexible on quantity – sellers can offer zero or more than two cargoes a month, although they each must offer at least six cargoes in total. Sellers are to nominate precise delivery windows via a narrowing mechanism. Kogas also requests that suppliers allow ad-hoc flexibility in adjusting delivery periods if it cannot receive cargoes during stipulated windows. It is open to FOB or DES terms and is seeking Brent, JKM, TTF or Henry Hub linked pricing or fixed prices. Kogas is also seeking pricing caps for the various indexes, to limit upside volatility risks. It wants a cap of $35/MMBtu for fixed prices.

**In the Mediterranean, Turkey's Botas is seeking up to six cargoes for delivery during May to August**

Emerging buyers continue to show demand. Thailand's PTT has eyed June volumes via a tender that closed on May 16 and offered sellers four delivery windows to nominate. Thai utility EGAT also tendered for June supply via tender and has offered two delivery windows that are the same as PTT's. Singapore, meanwhile, may have demand for around one cargo a quarter at least for this year, after it secured two floating storage units recently.

Buyers from Pakistan, Bangladesh and India have sought June-July supply too. State-run Pakistan LNG's latest tender for two June cargoes has been awarded to PetroChina International (PCI) at fixed prices between $22.50-$24/MMBtu depending on delivery window, suggesting the Chinese firm has surplus LNG volumes, sources said.

The Indian government, meanwhile, has asked state-run importer Gail to step up gas procurement, to meet increased demand from industries and power generation. A heatwave has struck much of South Asia and power demand spiked, although the region's electricity mix remains dominated by coal. Gail will try to secure gas from domestic fields first, where prices are capped at $10/MMBtu, before turning to incremental term LNG offtake and spot markets.

India was heard to have received multiple Atlantic basin cargoes that were unable to secure regasification slots in Europe. This includes Yamal LNG cargoes that were erstwhile meant for European markets, sources said. Yamal LNG is now heard to have halted term supply to Gazprom London for the rest of the year, following Moscow sanctions, and will issue the remaining volumes to shareholders.

### Quiet Chinese buyers

Chinese buyers, however, are conspicuously quiet, as a confluence of factors has weakened LNG demand. Strict lockdowns have capped gas demand for industries and power generation, while elevated spot prices continue to prompt downstream demand destruction. China has also ramped up coal-fired power generation, pipeline gas imports and domestic gas supply.

Chinese buyers have, in fact, been reselling cargoes to capitalize on strong spot prices. Besides PCI's two-cargo sale to Pakistan LNG, CNOOC Gas & Power has sold a May cargo to EGAT at around $23-$24/MMBtu. Private-sector firm Jovo was also heard to have sold two summer cargoes to Northeast Asia recently. Some lower-tier Chinese buyers, however, may have interest to buy spot cargoes, with oil majors heard in talks to supply them.

On the supply front, Kogas International was heard to have sold a second-half May loading Prelude cargo. Petronas, Pertamina, Angola LNG and Egypt's Egas have also offered spot cargoes loading and delivering in June-July.

Global LNG supply has been steady as producers prop up supply to take advantage of high prices. Heavy rainfall has struck Australia's Queensland state, with the country's meteorological bureau issuing an alert on May 13 for heightened risk of heavy flooding that could affect coal and LNG exports. LNG plants in the state, however, have not reported production issues, market sources said. Flooding in Queensland had reduced coal exports previously.

Norway's Snohvit LNG plant is on track to restarting operations in May, following a lengthy shutdown for repairs since September 2020. Three LNG vessels have been scheduled for cargo loadings at Snohvit in the second half of May, according to shipping sources.