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LNG in World Markets

Australia Price Review Season Kicks Off

Price review negotiations for Australian LNG projects, Ichthys LNG, Gorgon LNG and Wheatstone LNG are underway with their Japanese buyers. Taking center stage is the price review between Wheatstone LNG and Jera for its Tepco long-term contract. Given the size of the deal at over 4 MMt/y it sets the tone for future price review negotiations.

The start of the contract year for Wheatstone LNG was changed from 2016 to 2017 due to project delays. As a result, the applicable new price will begin in April 2022. In addition to Jera, Kyushu Electric and Tohoku Electric are buyers from the project. Tohoku Electric has completed its price review for 920,000 t/y on an ex-ship (DES) basis with Wheatstone LNG at a 13.3% slope of the Japan Crude Cocktail (JCC) price plus 60-75¢/MMBtu. The previous price for the 20-year deal was at a 14.75% slope of JCC plus 65¢/MMBtu.

Jera and Kyushu Electric are still going through the review despite the new price becoming effective in April 2022. Jera lifts over 4 MMt/y from Tepco's various 20-year term contracts with Wheatstone LNG on a combination of FOB/DES and 1 MMt/y from Chubu Electric's contract on a DES basis. Pricing for the DES volumes for Tepco's contract is like Tohoku's contract price at a 14.9% slope of JCC plus 65¢/MMBtu.

Tepco purchased 3.1 MMt/y from Chevron, operator of Wheatstone LNG, and gets 700,000 t/y from its equity stake at Wheatstone. There is no price review for Chubu Electric's 20-year contract as the price is indexed to the Japan LNG Cocktail (JLC), which is the country's average LNG import price. Kyushu Electric lifts a total of 830,000 t/y on a free-on-board (FOB) basis from Wheatstone LNG for 20 years at a 14.7% slope of JCC.

TG starts price review talks with Gorgon

Tokyo Gas is in price review talks with Gorgon LNG. Tokyo Gas buys 1.25 MMt/y from the project on a free-on-board (FOB) basis. Of the total, Tokyo Gas bought 1.1 MMt/y from Chevron and 150,000 t/y is part of its equity lifting. The new applicable price is in April 2023. The current price is at a 13% slope of JCC plus 65¢/MMBtu.

Osaka Gas will start its price review with Gorgon LNG in 2023, with the new applicable price to start in April 2024. Osaka Gas buys 1.375 MMt/y from Chevron and lifts 190,000 t/y from its equity stake in the project on a FOB basis. The price is similar to Tokyo Gas's price at a 13% slope of JCC plus 65¢/MMBtu.

Eneos, formerly known as JX Nippon Oil, concluded its price review with Gorgon LNG at a 13.3% slope of JCC plus 65¢/MMBtu in March this year on a DES basis. The new applicable price is for April 2022.

Ichthys LNG Contracts

Seller	Buyer	Terms	Start Year	End Year	Volume (MMt/y)
Ichthys	Chubu Electric	FOB	2017	2032	0.49
Ichthys	Toho Gas	FOB	2017	2032	0.28
Ichthys	CPC	DES	2017	2032	1.75
Ichthys	Inpex	FOB	2017	2032	1.10
Ichthys	Total	FOB	2017	2032	0.70
Ichthys	TEPCO	FOB	2017	2032	1.05
Ichthys	Tokyo Gas	FOB	2017	2032	1.05
Ichthys	Kansai Electric	FOB	2017	2032	0.80
Ichthys	Osaka Gas	FOB	2017	2032	0.80
Ichthys	Kyushu Electric	FOB	2017	2032	0.30

Ichthys price review negotiations

Ichthys LNG is undergoing price review negotiations with six of its Japanese buyers, Jera, Toho Gas, Tokyo Gas, Kansai Electric, Osaka Gas and Kyushu Electric, for their respective 15-year long-term contracts (see Table). The six Japanese buyers have FOB contracts with the project. Jera lifts 1.05 MMt/y from Tepco for 15 years and 490,000 t/y from Chubu Electric for 15 years until 2032.

Separately, Inpex, which operates Ichthys LNG, has a 15-year contract with Shizuoka Gas to sell one cargo a year. This contract is also undergoing price review talks.

Japanese buyers are likely to push for the project to agree to a 13.3% slope of JCC with a constant, a level which is seen as a benchmark after the conclusion of earlier price reviews at Australia's Northwest Shelf and Pluto LNG. However, it remains to be seen whether the price will be accepted as it will need to be agreed on by the two main shareholders, TotalEnergies and Inpex.

TotalEnergies holds a 26% stake in Ichthys while Inpex has 66.245%. The remaining shareholding is owned by Taiwan's CPC at 2.625%, Tokyo Gas 1.575%, Osaka Gas 1.2%, Kansai Electric 1.2%, Jera 0.735% and Toho Gas 0.42%. The current FOB contract level with the six Japanese buyers is at a 14.85% slope of JCC with an S-curve.

Australia's Northwest Shelf concluded its price review with its Japanese buyers, Jera, Kansai Electric and Kyushu Electric in February last year at a 13.3% of JCC plus 67-68¢/MMBtu on a DES basis.

Separately, Kansai Electric and Tokyo Gas concluded a price review earlier this year with Pluto LNG at a 13.3% slope of JCC plus 80¢/MMBtu on a DES basis for 1.75 MMt/y and 1.5 MMt/y, respectively (see

LNGWM, Aug '22). Other price reviews that are expected to start next year or at the end of this year are Sakhalin-2's long-term contracts and Papua New Guinea's PNG LNG.

Negotiations for PNG LNG's price review with Jera will start next year. Sakhalin-2 will start its price review process with Japanese buyers next year. The new applicable price will start in April 2024.

Australian LNG Infrastructure

