

First LNG Cargo from New U.S. Export Terminal Chan



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Title: First LNG Cargo from New U.S. Export Terminal Chan

Description: LONDON, March 15 (Reuters) – Falling Asian gas prices are reigniting interest in northwest Europe as a liquefied natural gas (LNG) destination following winter shortages as Russia and the United States step up deliveries.

Price swings prompted Royal Dutch Shell on Thursday to divert the first shipment from the new Cove Point export plant in the United States away from Asia to Britain.

More supply from Russia's newly built plant in Siberia at Yamal is likely to be absorbed by northwest Europe as arbitrage opportunities with Asia dry up amid a post-winter price slump there, trade sources said.

Asia's spot LNG premium over European gas hubs has shrunk to around \$1 per million British thermal units, driven by divergent weather patterns.

Mild weather is sapping demand in major LNG consumers China and Japan as cold blasts depleted Europe's gas inventories.

Tighter spreads limit traders' ability to divert Atlantic-produced supply east after shipping costs rose last year.

For example, a cargo held in storage at Rotterdam's Gate LNG terminal has gone unsold due to diminished incentives, traders said.

So far this year, two Yamal cargoes unloaded at British terminals for domestic consumption, accounting for about a third of Britain's 2018 LNG imports after typical supplier Qatar pre-sold the bulk of its winter output to Asia last year.

Qatari LNG shipments to northwest Europe should also pick up from April as Asian demand eases, traders said.

A Norwegian shipment arrived in Britain last week.

From April, the availability of Yamal LNG cargoes may be restricted as long-term contracts commence. Currently all Yamal LNG is sold via spot markets.

Under long-term deals, destination restrictions may limit where Yamal's customers – PetroChina, Russia's Novatek, Spain's Gas Natural, France's Engie, trader Gunvor and Shell – can sell supply.

Curbs will vary by contract but traders still expect a large chunk of volumes to flow into European terminals – where they can then be re-exported – until thawing ice sheets allow passage to Asia directly in the summer months.

In Britain, Russian LNG deliveries have drawn scrutiny after Prime Minister Theresa May accused Moscow of poisoning a Russian ex-spy with a rare nerve agent in England.

“We estimate less than 1 percent of our gas comes from Russia and are in no way reliant on it,” a spokeswoman for the Department for Business, Energy and Industrial Strategy said.

British utility Centrica has a contract with the trading arm of Russia's Gazprom for 4.16 billion cubic metres a year until 2021, but that gas does not necessarily come from Russia and is most likely sourced from the open market.

