

Gas Pricing System in Asia Pacific: Influence of USA and Europe

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Overview

In 2009 in European gas market, transition from oil-linked pricing system to hub-pricing system. It was caused by oversupply of gas in European market due to LNG from Qatar and low demand caused by economic crisis. Oversupply of gas gave more bargaining power to consumers and they demanded suppliers sell gas at hub-linked price, which was lower at that time. There are questions if the same thing may occur in Asian Pacific gas market. There will be new wave of gas from Australia, North America, East Africa and Russia to Asia Pacific gas market. It is necessary to study possibility of oversupply of natural gas which may lead to lower gas price & change of oil indexed pricing system.

Method

- 1) All planned LNG projects will be launched without delay & cancellation.
- 2) All of advanced LNG project in North America will start in time without delay & cancellation.
- 3) China's pipeline import will reach maximum capacity of each pipelines.
- 4) Various gas demand outlooks are compared with contracted gas volumes. Comparison of LNG import price from major exports to Korea and Japan with Henry Hub indexed LNG export contract to Asia at various levels of Henry Hub price and crude oil price.
- 6) Comparison of factual gas consumption of Asia Pacific countries with differemt consumption scenarios

Conclusion

Despite the research result that China is over-contracted according to several scenarios of international organizations, considering consumption is growing much faster than scenarios and possibilities of delays and cancellations of planned LNG projects, it is difficult to predict China will not look for new LNG long term contracts. Korea, Japan & India are under-contracted at even the most positive scenarios. Due to wide range of LNG import CIF price in Korea & Japan, price-competitiveness of North American LNG also differs according to exporters, Henry Hub price & crude oil price. There is a realistic possibility that North American LNG may not be price competitive in Asia Pacific LNG market.

References

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