

# Platts JKM(TM) for March-delivered LNG plunges 61.7% in Largest Year-over-Year Drop

Northeast Asian prices fall 25% from previous month on high inventories

PR Newswire  
SINGAPORE

SINGAPORE, Feb. 17, 2015 /PRNewswire/ -- Prices of spot liquefied natural gas (LNG) for March delivery to northeast Asia saw their largest year-over-year drop on record, plunging 61.7% from March 2014 to average \$7.436 per million British thermal units (/MMBtu), according to latest Platts Japan/Korea Marker (Platts JKM(TM)) data for month-ahead delivery.

This is the largest year-over-year fall since Platts began assessing the JKM in February 2009. The figure reflects the daily Platts JKM assessed between January 16 and February 13, expressed as a monthly average.

In 2014, March JKM daily prices had reached a historic high of \$20.20/MMBtu on assessment date February 14. By comparison, March-delivery JKM prices in 2015 bottomed at \$6.80/MMBtu on assessment date February 5, the lowest since June 2010.

"Moderate temperatures and high buyer inventories continued to cap demand for spot cargoes in northeast Asia, despite the lower prices in March," said Stephanie Wilson, managing editor of Asia LNG at [Platts](#), a leading global energy, petrochemicals and metals information provider and a premier source of benchmark price references. "Exacerbating the oversupply were cheaper competing fuels, which many utility power generators opted to burn rather than LNG."

At \$7.436/MMBtu, the monthly average JKM for March delivery had reached levels not seen since 2010, when the July monthly average was \$9.639/MMBtu.

In the years following the 2011 Fukushima disaster and the subsequent loss of nuclear power in Japan, March JKM monthly averages had been consistently above \$10/MMBtu.

The March 2015 monthly average had also dropped 25% from February, as the market shifted into a backwardated\* structure, reflecting the seasonal reduction in demand going into the northern hemisphere spring. This exerted further downward pressure on prices, as buyers were in no rush to procure cargoes.

The softening market was in stark contrast to Northern Europe, where colder temperatures had resulted in a spike in onshore gas prices for the prompt month. The average spread between the March JKM and UK NBP had narrowed to a historical low of \$0.36/MMBtu during the assessment period, as the arbitrage between the Atlantic and Asia Pacific basins closed.

"Even this closure of the arbitrage was insufficient to support the prices of LNG in Asia, as the number of available cargoes in the Asian Pacific basin alone outstripped the demand," Wilson explained. "Over the course of the assessment period, NBP became the premium market, ending \$1.437/MMBtu above the JKM for March delivery. However, this spread did not enable cargoes of Asia Pacific origin to be sold into the Atlantic basin, largely owing to the shipping costs."

The widening spread, however, provided opportunities for portfolio sellers who were loading cargoes in the Atlantic with a view to ship the cargoes to their buyers in Asia. Higher onshore European gas prices have enabled them to sell these Atlantic loading cargoes in the same basin at more attractive prices, and procure spot cargoes within Asia to fulfill orders within the region.

This led to a slight rebound in prices towards the end of the trading month, with the JKM gaining \$0.10 to close at \$6.90/MMBtu on the last day of trading for March delivery.

Meanwhile, the price of possible competing fuel thermal coal decreased 13.1% year over year, while fuel oil was down 49.9% over the year during the January 16 to February 13 assessment period.

Platts Spot JKM and Substitute Fuel Prices (Monthly Averages)\*

|                             | Mar-<br>15 | Mar-<br>14 | Feb-<br>15 | Year-over-year<br>Change % | Month-over-<br>month Change % |
|-----------------------------|------------|------------|------------|----------------------------|-------------------------------|
| JKM (\$/MMBtu)              | 7.436      | 19.419     | 9.911      | -61.7                      | -25.0                         |
| Qinhuangdao coal (\$/MMBtu) | 3.562      | 4.098      | 3.665      | -13.1                      | -2.8                          |
| 180 CST fuel oil (\$/MMBtu) | 7.905      | 15.769     | 7.761      | -49.9                      | 1.9                           |

The Platts JKM(TM) is an assessment of LNG prices for spot cargoes delivered to Japan and South Korea, based on the most recent trades and/or bids and offers from buyers and sellers in the open market prevailing at the close of the trading day. The monthly JKM assessments are month-ahead delivered prices and are an average of the daily JKM price assessments reported by Platts. The monthly reports on Asia LNG prices and market developments are typically published shortly after the 15(th) of each month.

\*Backwardation is the industry vernacular for the condition whereby prices for nearby delivery are higher than prices for future-month delivery.

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CONTACT: Global: Kathleen Tanzy: +1 212 904 2860, [kathleen.tanzy@platts.com](mailto:kathleen.tanzy@platts.com); U.S.: Rose Catlos, +1 212 904 4937, [rose.catlos@platts.com](mailto:rose.catlos@platts.com); Asia: Kimitsu Yogachi, [kimi.yogachi@platts.com](mailto:kimi.yogachi@platts.com), +65 6530 6596

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