Platts: Asia Spot LNG Prices for February Delivery Fell on Mixed Demand

While down 0.8% on the month, prices were up 8.2% versus February 2013

PR Newswire
SINGAPORE

SINGAPORE, Jan. 20, 2014 /PRNewswire/ -- Prices of liquefied natural gas (LNG) for February 2014 delivery to Asia slipped 0.8% from January to average $18.808 per million British thermal units (/MMBtu), as lackluster buying interest from North Asia was largely offset by demand in Europe, the latest Platts Japan/Korea Marker (JKM) for month-ahead delivery showed. The monthly average Platts JKM for delivery in February 2014 was assessed from December 16 to January 15.

The average February 2014 JKM was up 8.2% from the February 2013 average of $17.348/MMBtu.

"February saw price fluctuations due to volatile demand, largely from European utilities," 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. The Platts JKM began the month at $18.925/MMBtu before dropping back to $18.60/MMBtu around the New Year holiday, as unsold January cargoes were rolled into February, adding to the availability.

"However, European buyers entered the market towards the end of December, absorbing the majority of the remaining Atlantic-origination cargoes due to a spike in LNG demand for on natural gas pipeline constraints in Turkey and the loss of alternative power generation in Spain," Wilson said.

This created competition among European and the few remaining buyers in Asia, driving the JKM to highs of $19.25/MMBtu as offers reached the high-$19s/MMBtu, Wilson explained. The resurgence was short lived though, as European demand dwindled in the last few days of the assessment period.

Prices fell back towards the low-$19s/MMBtu as only two Japanese utilities remained in the market for February cargoes. Both were reluctant to conclude deals above $19.00/MMBtu as strong backwardation was evident in March, bringing trading activity to a halt, noted Wilson.

Meanwhile, prices of thermal coal and fuel oil - substitutes to LNG in the fueling of Asian utilities - were slightly higher. Thermal coal on a month-over-month basis was up 2.1% in price, while fuel oil prices were 0.6% higher from January.

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

	Feb-14	Feb-13	Jan-14	Year-Over-Year Change %	Month-Over-Month Change %
JKM ($/MMBtu)	18.808	17.348	18.958	8.4	0.8
Qinhuangdao coal ($/MMBtu)	4.473	4.183	4.383	6.9	2.1
180 CST fuel oil ($/MMBtu)	15.844	16.058	15.755	-1.3	-0.6

Source: Platts

*Referred to as month-ahead, the figures in the table are monthly averages of daily values assessed by Platts from December 15th to January 16th. The Platts JKM rolls on the 16th of each calendar month

The Platts JKM 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.

For more information on natural gas or the methodology used by Platts in its power assessments, visit the Platts website www.platts.com.

Platts' monthly reports on Asia LNG prices and market developments are typically published shortly after the 15(th) of each month.

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