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Platts JKM(TM) for January-delivered LNG Slumped 46.9% in Largest Year over Year Drop

Fell 19.4% from previous month on high inventories, but downtrend stemmed by KOGAS buying

PR Newswire
SINGAPORE

SINGAPORE, Dec. 17, 2014 /PRNewswire/ -- Prices of spot liquefied natural gas (LNG) for January delivery to Asia plunged 46.9% year over year to average $10.062 per million British thermal units (/MMBtu), according to latest Platts Japan/Korea Marker (Platts JKM(TM)) data for month-ahead delivery. The figure reflects the daily Platts JKM assessed between November 17 and December 15, expressed as a monthly average.

The fall is the largest year-over-year reduction since Platts began assessing the JKM in February 2009.

"With buyers in northeast Asia still holding high inventories, demand for spot cargoes remained limited," 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. "Even in India and China, numerous buyers could not take additional volume, despite the lower prices."

At $10.062/MMBtu, the monthly average JKM for January delivery had reached levels not seen since the same period in 2011, when the January JKM averaged $9.639/MMBtu. In the years following the Fukushima disaster and the subsequent loss of nuclear power in Japan, January JKM monthly averages had been consistently above $15.00/MMBtu.

The marker dipped below $10/MMBtu for the first time since the week of the Fukushima disaster in March 2011. The JKM for January delivery bottomed at $9.90/MMBtu on assessment date December 1, before rebounding to end the month at $10.00/MMBtu.

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

	Jan-15	Jan-14	Dec-14	Year-over-Year Change %	Month-over-Month Change %
JKM ($/MMBtu)	10.062	18.958	12.490	-46.9	-19.4
Qinhuangdao coal ($/MMBtu)	3.608	4.383	3.524	-17.7	2.4
180 CST fuel oil ($/MMBtu)	10.573	15.755	12.235	-32.9	-13.6

Source: Platts

**Referred to as month-ahead, the figures in the table are monthly averages of daily values assessed by Platts from November 17 to December 15. The Platts JKM rolls on the 16thof each calendar month

The January average JKM had lost 19.4% in month-over-month comparisons as a result, as buyers waited on the sidelines for prices to bottom.

"The downward pressure eased towards the end of the month, meaning some portfolio sellers with positions in northeast Asia picked up spot cargoes to optimize their trading strategies," Wilson added. "Numerous supply tenders from Russia, Australia and Papua New Guinea were awarded predominately to sellers as a result, which provided some support to the spot price. Also stemming the reductions was news that the world's single largest buyer of LNG, Korea Gas Corp (KOGAS), had returned to the market for some spot cargoes, which could draw other buyers back into the market."

Meanwhile, the price of possible competing fuel thermal coal increased 2.0% month over month, while fuel oil fell 13.6% over the November 17 to December 15 assessment period.

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.

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CONTACT: Media contacts: Asia: Kimitsu Yogachi, kimi.yogachi@platts.com, +65 6530 6596; EMEA: Elizabeth Catalano, elizabeth.catalano@platts.com, +44 207 176 6024; Global & U.S.: Kathleen Tanzy: +1 212 904 2860, kathleen.tanzy@platts.com

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