U.S. LNG Positioned for Anchor Role in Global Markets: S&P Global Platts

New ICE LNG Futures Contract and Platts Gulf Coast Spot Forward Curves Support U.S. LNG Export Market Growth

HOUSTON, March 22, 2017 /PRNewswire/ -- The U.S. shale revolution and resulting increased exports of U.S. liquefied natural gas (LNG) has positioned the U.S. to play a new primary role in the global natural gas and LNG markets, according to S&P Global Platts.

LNG exports are becoming an increasingly important market driver in the U.S. natural gas markets, with a new focus toward LNG values at the U.S. Gulf Coast, the country's heaviest concentration of liquefaction plants and largest storage hub for export-bound natural gas.

Kwhame Gittens, manager, commodity risk solutions (Americas), S&P Global Platts, said:"Additionally, the optionality, transparency and freedom of a U.S. LNG cargo are nearly unparalleled in global markets, offering real opportunities for participation in this emerging spot market by financial markets, traders and other interested stakeholders."

In response to growing U.S. LNG exports volumes, Intercontinental Exchange, Inc. (ICE) announced it will begin trading a first-ever U.S. LNG futures contract that will be cash settled against the Platts LNG Gulf Coast Marker (GCM) price assessment. ICE will use Platts-derived U.S. GCM LNG forward curves for daily settlement purposes. The curves will have an initial tenor of 48 months.

J.C. Kneale, vice president, North American power and natural gas markets, ICE, said:"By providing the marketplace with a U.S. Gulf Coast LNG futures contract, along with the prospect of future additional products, domestic and international market participants now have a risk management solution that lays the foundation for a more effective means of hedging their spot and forward exposure, which will be particularly useful as the global LNG market continues to evolve and grow."

Shelley Kerr, global director of LNG and regional director of generating fuels & electric power,Europe, Middle East and Africa (EMEA), S&P Global Platts, said:"We have already witnessed exponential growth inAsia-based LNG swaps over the past couple of years and counterparties are demanding that the new flexible supply from the U.S. is underpinned by both price transparency and the means to hedge. In any such evolution, transparency will be crucial to the development of the LNG market and we're pleased to be the leading independent publisher of a global suite of LNG price assessments, all of which have the characteristics to be benchmarks. We believe the U.S. Gulf Coast is poised to become a key anchor for LNG prices."

New S&P Global Platts research shows that natural gas producers, plagued by low domestic prices in recent years, are eager to sell into the international marketplace through LNG. The natural gas infrastructure that intersects the United States, Mexico and Canada is the world's largest and most integrated natural gas market and by 2020, the Americas region is expected to be the world's third largest producer of LNG, behind Australia and Qatar.

An S&P Global Platts analysis shows:

- Global LNG demand is expected to grow by up to 5% annually through 2030
- Roughly 100 million tons per annum (MTPA) of liquefaction capacity is currently under construction, increasing global

supply by 40% in the next five years
- Five U.S. liquefaction projects are expected to be operational by 2020. This will increase global liquefaction capacity by 25% and insert the U.S. as a key player in the LNG market
- U.S. expected to be the third largest LNG exporter by 2020
- U.S. LNG exports will have largest volume of flexible-LNG by 2020
- **Short-term trading of LNG, versus the historical pattern of annual pricing, could account for as much as 43% of LNG trade globally by 2020
- U.S. LNG will soon pass Qatar as the largest source of flexible-LNG supply that can quickly respond to market prices and trends around the globe

The S&P Global Platts suite of LNG physical market price assessments include:

- Platts LNG GCM, a value for pricing U.S. Gulf Coast LNG in the international market
- Platts JKM™ (Japan-Korea Marker), a value based on Asia-Pacific trade and broadly accepted as the benchmark price for LNG
- A broader array of LNG price references serving the Middle East, Australia, West India, Brazil, Southwest and Northwest Europe and the freight market
- Physical market forward curves for Platts JKM and Platts LNG GCM

For more information about the methodology underpinning the Platts LNG Gulf Coast Marker, visit the Platts.com methodology and specifications link.

S&P Global Platts LNG price references are published in *Platts LNG Daily*, the first daily independent news publication for the global LNG industry, Platts' real time services and Platts *LNG Navigator*, a fully customizable analysis and data platform.

**Platts does not sponsor, endorse, promote or sell financial instruments including the ICE contracts*
*** Source of info: (a book) "LNG markets in transition, the great reconfiguration" published by Oxford Institute of Energy Studies (OIES) and King Abdullah Petroleum Studies and Research Centre (KAPSARC)*

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