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Asian LNG purchases fall as growth slows

Global LNG trade increased to 245.2 million metric tons last year, as 14.4 million tons of new capacity was added, according to GIIGNL. NYT

by **Anna Shiryaevskaya**

Asian liquefied natural gas purchases last year fell for the first time since the 2009 financial crisis as the Middle East, North Africa and Europe helped absorb rising global output.

Japan, the world's largest LNG consumer, cut imports by 4.7 per cent while shipments to South Korea, the second-largest buyer, fell 11 per cent because of slow economic growth, mild weather and increased use of alternative fuels, according to the International group of LNG importers, a Paris-based lobby group. Shipments to the Middle East and North Africa jumped 140 per cent thanks to demand from Dubai, Jordan and new importer Egypt.

Spot and short-term supply remained stable at 28 per cent of total volumes, which rose 2.5 per cent after Australia and Indonesia started new plants. The start of a wave of mainland US exports in February, which unlike most long-term supply isn't limited in destination or tied to oil prices, will see it "challenge Qatar as the world's leading supplier of flexible LNG", GIIGNL said.

"In a global context of lower energy prices and sluggish economic growth, the LNG industry is holding its breath for the impact of an export wave from the US," Domenico Dispenza, president of GIIGNL, said in the report. "In the longer-term, the future of LNG imports looks positive" as China and India are expected to boost demand over the next decade.

Global LNG trade increased to 245.2 million metric tons last year, as 14.4 million tons of new capacity was added, according to GIIGNL. A further 42 million tons is expected to come online this year, it said.

While Chinese demand rose 5.5 per cent to 20 million tons, cementing its role as the third-largest imports, that failed to offset a drop in Asian imports to 177 million tons, or 72 per cent of global imports from 75 per cent a year earlier.

Total spot and short-term trading of less than four years was 68.4 million tons, little changed from 69.6 million a year earlier, as prices declined. "True spot" trade, for cargoes within 90 days, accounted for 15 per cent of the global total.

LNG for northeast Asia slid 30 per cent last year, according to assessments for cargoes for delivery in four to eight weeks by New York-based World Gas Intelligence. Prices converged with those in southwest Europe, which fell 21 per cent.

The drop in prices reduced arbitrage and led to the deferral of new plants in Africa and Canada, GIIGNL said. Trading was also affected by the halt of production in Yemen and "the effects on arbitrage trade from declining location differentials", it said.

"The (temporary?) price convergence in the Atlantic and Pacific Basins has reduced arbitrage opportunities and curbed the enthusiasm for interbasin trade," Dispenza said.

* Reloads fell to 4.4 million tons a year from 6.4 million tons in 2014

* LNG tanker fleet consisted of 449 vessels at the start of 2016, including 23 FSRUs

* European net imports rose by 16% to 37.6 million tons

* 34 countries import LNG vs 15 in 2005

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