China sets tariff on US LNG just as exports ramp up

China has set a 10% tariff on imports of US liquefied natural gas just as trade of the super-chilled fuel between the two nations started to ramp up and exports from new terminals on the US Gulf Coast are poised to begin. Beijing announced yesterday it would tax thousands of US products worth $60bn in retaliation for tariff s imposed by US President Donald Trump as the trade war between them escalated. China became the world's second-largest importer of LNG last year, behind Japan and ahead of South Korea, driven by a push to convert to cleaner gas from coal generation energy. At the same time, the United States is poised to become a major exporter with the majority of LNG supply growth in coming years from new terminals being planned or built now.

China imported 1.6mn tonnes of the 14.9mn tonnes of LNG that has been exported from the United States so far this year, according to Thomson Reuters data. Analysts and traders have said that al- though China is a huge buyer of LNG espe- cially in the run-up to and during winter, it should easily find supplies from other large exporters such as Qatar and Australia. State-owned Qatargas said this month it had signed a 22-year deal to supply a unit of PetroChina with 3.4mn tonnes a year.

For US companies developing LNG export terminals such as Cheniere Energy, Sempra and Kinder Morgan, the tariff casts doubt over their projects' final investment decisions (FIDs), which trigger construction of facilities. "It's a problem for Cheniere as it makes their LNG uncompetitive in China," Noel Tomnay, vice president for gas and LNG consulting at Wood Mackenzie, told Reuters on the sidelines of an industry event in Barcelona, Spain. "But the biggest problem is for all those

US LNG projects trying to get FID. China would be the biggest market for all of them. While these tariff s last, it's unlikely they can take off .

That's a potential opportunity for non-US projects (e.g. Canada) to go ahead." Four new US terminals and one extension will come onstream in stages over the next two years. Once they run at capacity, they will constitute 60% of all new supplies expected to be added to the global market by 2023. Aside from that, there are dozens of new trains, or facilities, planned at exist- ing or new terminals, which all need FIDs before they progress.