China tariff s could mean bleak winter ahead for US LNG traders

This winter could be a bleak one for Amer- ica’s natural gas exporters as the fastest- growing buyer of the fuel threatens to halt purchases amid an escalating trade war. PetroChina, a unit of the state-owned China National Petroleum Corp, may suspend its buy- ing of US liquefi ed natural gas cargoes during the colder months, just as new American LNG ter- minals start up. The move could force gas sup- pliers like Cheniere Energy Inc to cut prices as they seek to lure other buyers during the heating season, when demand peaks. While US LNG companies make the bulk of their money from long-term contracts, Cheniere last winter reaped big earnings from the spot market, which saw Asian prices climb to three-year highs amid booming consumption in China. But with China eyeing a 25% tariff on US LNG, Cheniere and other US LNG traders may have no choice but to sell spot volumes at a discount, Jason Gabelman, vice president at Cowen and Company LLC, said by telephone on Monday. Cheniere didn’t immediately respond to a re- quest for comment. The “US is probably going to have more spot LNG available than it would have had otherwise if it had been selling into the Chi- nese market,” Gabelman said. Other buyers in Asia may look to take advan- tage of low-cost US gas. Cheniere announced August 10 a binding 25-year contract with Taiwan’s state-owned CPC Corp beginning in 2021. “If you’re selling gas in the spot market, you need to fi nd a new place” for cargoes that would have gone to China, said Nikos Tsafos, a senior fellow at the energy and national security pro- gramme at the Center for Strategic and Interna- tional Studies in Washington.