GIIGNL Annual Report 2019: Strong demand in Asia drives LNG import growth for third consecutive year

GIIGNL, the international association of LNG Importers, is pleased to bring its 2019 Annual Report industry to the readers of Gastech Insights. This complimentary report is mainly based on data submitted by GIIGNL's 81 member companies. In the report, we describe the state of the LNG industry and the main evolutions of the last twelve months in LNG trade, contracts, liquefaction, regasification and shipping. For the second year, GIIGNL also reports on the development of retail LNG, providing statistics on LNG trucking and small-scale vessel loadings.

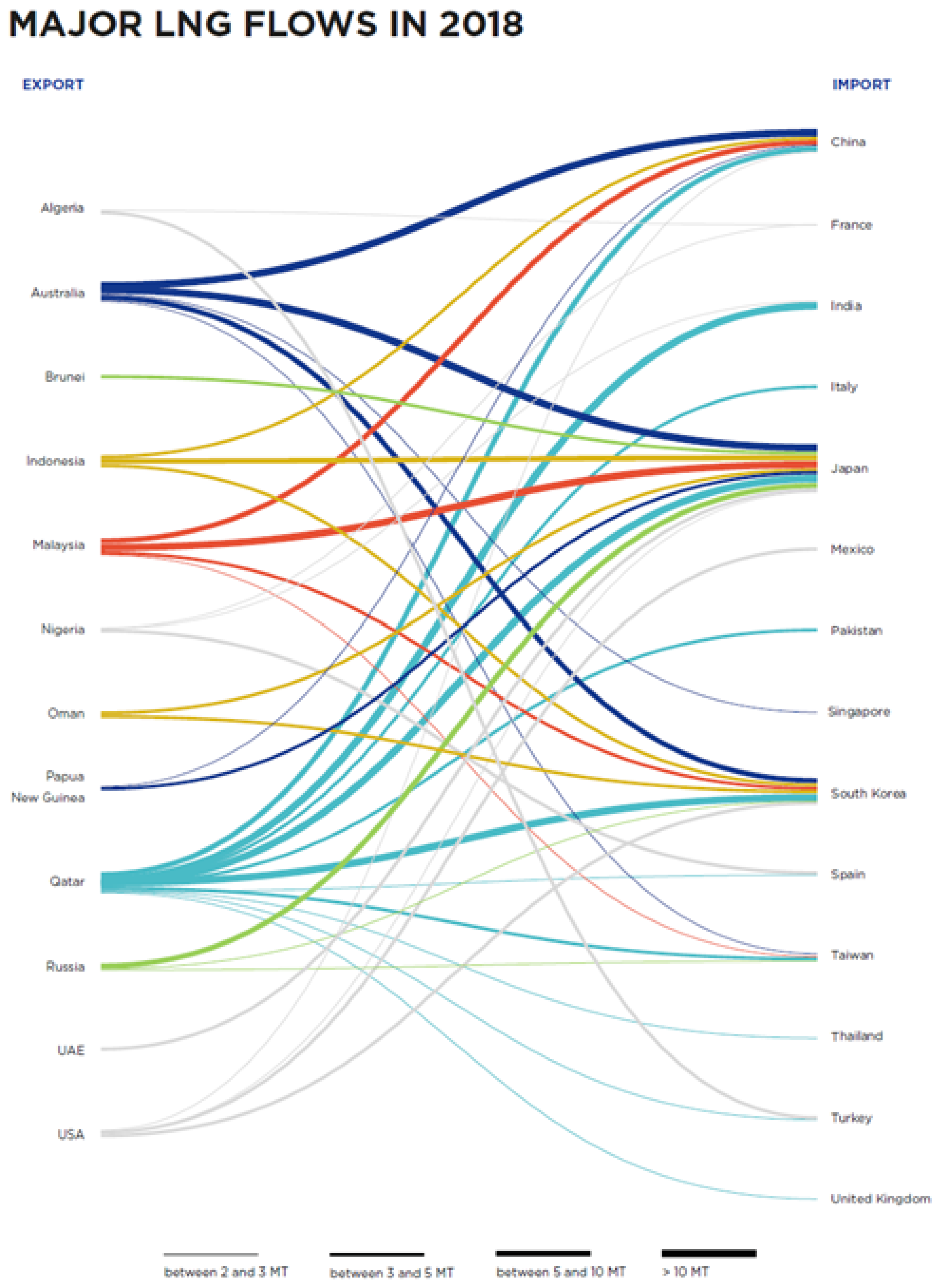
Main findings:

- In 2018, LNG imports reached 313.8 million tonnes, an 8.3% growth compared with 2017
- 42 countries are now LNG importers and 20 countries are exporters
- Since 1964, more than 97 000 cargoes have been safely delivered
- China and South Korea continued to absorb new supply while additional volumes from Australia, the USA and Russia contributed to increase market flexibility
- LNG delivered under contracts of 4 years or less accounted for 32% of total imports or 99.3 million tonnes; cargoes delivered less than 3 months from the transaction date reached 25% of the market compared with 20% in 2017
- GIIGNL foresees profound changes in the global LNG market structure in 2019 and beyond

LNG supply moves west, demand moves east:

Two new countries – Bangladesh and Panama – joined the importers' ranks last year, bringing the total number of importing countries to 42. Asia firmed up its position of leading importing region with a 76% share of global LNG imports. Policy choices in the Asia-Pacific region largely drove the growth in LNG imports, fostered by measures to improve air quality in China and by uncertainties regarding nuclear power in South Korea. In Europe, cross-basin arbitrage opportunities continued to determine the level of LNG inflows as the reduction of price spreads led to a strong rise of import activity in Northwest Europe towards the end of the year.

New LNG supply volumes were mostly driven by new production from Australia, the United States and Russia (Yamal). Eight new onshore liquefaction trains were commissioned in these countries in 2018 and a floating liquefaction unit came online in Cameroon. The Pacific Basin remains the largest source of LNG supplies with 43.8% of the global market, followed by the Middle East and the Atlantic Basin. In 2019, the share of Atlantic Basin LNG supply in global trade is expected to continue to increase, as new liquefaction capacity is scheduled to come online in the United States.



Spot and short-term trade is rising:

Spot and short-term volumes accounted for 99.3 MT in 2018. The share of spot and short-term volumes jumped to 32% compared with 27% in 2017. This expansion was supported by the ramp-up of flexible volumes from the United States and Russia and by the rise of LNG volumes handled by aggregators and traders who are able to optimize their portfolios allowing them to market volumes, in some cases purchased on a long-term basis, on a short-term or spot basis.

Even if it may still take some years before the commoditization of LNG becomes a reality, our industry is on the verge of profound change in terms of market structure. In 2019 we are likely to reach a tipping point with many long-term supply contracts starting to expire and as new supply comes on-stream.

As Jean-Marie Dauger, President of GIIGNL put it in his editorial: “For LNG importers, long-term partnerships, destination and volume flexibility as well as the ability to optimize or arbitrage between Asian and European markets remain key. In China, in India and South East Asia, in particular, LNG’s environmental benefits and its versatility make it particularly attractive as a destination fuel for thermal power generation and cogeneration, in the industrial and commercial sectors as well as in a growing variety of fields like marine and road transportation.”

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