

Huawei Arrest Keeps U.S.-China LNG Spat Alive, Developer Says



The arrest of a top Chinese technology executive means the tariff war that ensnared liquefied natural gas may not have reached a cease-fire, according to the developer of a U.S. project to export the fuel.

Liquefied Natural Gas Ltd. has been cautioned by prospective Chinese buyers of supply from the terminal it plans to build in Louisiana “that things are not resolved” on the trade front, Chief Executive Officer Greg Vesey said in an interview Friday. The potential purchasers’ comments came after Canada said the U.S. is seeking to extradite Huawei Technologies Co. Chief Financial Officer Wanzhou Meng over potential violations of sanctions on Iran.

The snag comes just days after Chinese officials were said to have started preparing to resume imports of U.S. LNG and soybeans as President Donald Trump touted a breakthrough in

talks between the two nations. Developers of multi-billion-dollar U.S. gas export terminals – projects typically underpinned by long-term supply contracts – have been courting China, which emerged this year as the world's biggest gas importer.

“The whole trade issue put a damper on things directly with Chinese customers and the rest of the buyers are also sitting back,” Vesey said. Still, the developer has had ongoing conversations with Chinese companies, he said.

Vesey aims to sign deals and make a final investment decision to proceed with the Magnolia LNG project in the first half of 2019. But as the trade dispute persists, the timing “is a little iffy,” he said.

Where to American Fuel?

China is the U.S.'s third-biggest LNG market, but trade war stands to clip shipments

Sources: Bloomberg Vessel Tracking, IHS, Genscape, DOE