How the IMO 2020 Regulation Will Impact the LNG Market

Jeff Moore
Manager - LNG Analytics Asia
S&P Global Platts
Agenda – IMO 2020 Will have Three Major Impacts on the LNG Market

• The regulation will help spur LNG demand within marine bunkering

• High Sulphur Fuel Oil (HSFO) prices will fall as a result of the regulation, which could slow some LNG adoption in the power sector in select countries

• Oil prices will increase, which will have a direct impact on LNG contract prices, but spot prices will not be impacted as much
IMO 2020 Will Have a Dramatic Impact on Global Bunker Demand

Source: S&P Global Platts Analytics
Takeaway 1: LNG Demand Creation in the Bunkering Sector

LNG as a Bunkering Fuel

- LNG as Bunkers in LNG Carriers (boil-off)
- LNG as Bunkers in Non-LNG Vessels

Source: S&P Global Platts Analytics
Takeaway 2: Demand Destruction for LNG In Power

HS Fuel Oil versus NE Asian Spot Prices (Platts JKM)

LNG prices expected to increase due to lack of new supply

Source: S&P Global Platts Analytics
Takeaway 2: Demand Destruction for LNG In Power

Source: S&P Global Platts Analytics
Takeaway 3: Changes in LNG Pricing Dynamics

Global LNG Prices

Correlation between Brent and weighted average Asian contract price = 0.76

13.5% 3 Mo Brent + $1
Weighted Avg Asian Contract
Platts JKM

Source: S&P Global Platts Analytics
Takeaway 3: Changes in LNG Pricing Dynamics

US LNG Exports

0 10 20 30 40 50 60 70 80

2017/8 US LNG deliveries by destination

- 8% to Middle East
- 31% to Americas
- 14% to Europe
- 47% to Asia

Source: S&P Global Platts Analytics
Takeaway 3: Changes in LNG Pricing Dynamics

Spot prices in Asia (Platts JKM) expected to diverge from oil-linked contract prices

Source: S&P Global Platts Analytics
Thank you! Please Come Visit our booth

S&P Global Platts

Jeff Moore
Manager, LNG Analytics Asia
jmoore@spglobal.com