ICIS LNG Edge: Q3 2023 Trade Flow Report

South Asia takes share from Europe, as geopolitical tensions rise

Summary:

Lower spot gas prices and full storage levels in Europe allowed South and South-East Asia to increase their share of the global LNG market during July to September 2023. However, rising geopolitical tensions at the end of the period pose the threat of less benign market conditions over the winter ahead.

Europe's share of global LNG imports fell to 25% in the third quarter, down from 29% in the same period last year. The UK in particular saw a 71% drop in its Q3 imports, a fall of 2.1 million tonnes, the biggest decline of any country. The UK was hit both by the general drop in flows to Europe, and a redirection of flows within the region away from the UK to Continental Europe. Germany imported 1.2m tonnes in Q3 2023, compared with none last year.

The South Asian countries of Bangladesh, India and Pakistan increased their share of global imports to 10% from 7% the year before, as lower prices made LNG more affordable for regional buyers. South-East Asia saw its share rise from 6% to 7% as Thailand continues to import strongly and new importers enter the market this year, including in the Philippines and Vietnam.

In East Asia China returned to growth in the summer, with quarterly imports up 3.7m tonnes on the year before. But this was largely offset by falls of 1.3m tonnes from Japan and 1.8m tonnes from South Korea.

Australian LNG plant workers went on strike during the quarter, but the industrial action didn't slow loadings and a deal with employer Chevron appeared to be reaching a conclusion in October. However, new conflict in the Middle East led to a fall in Israeli gas production, with a potential impact on LNG exports from Egypt.

Beyond the immediate supply impact, though, possible escalation of the conflict raised concerns of unexpected risks in the winter ahead. So too did unexplained damage to the Finland-Estonia gas connector in October, following last year's explosions on the Nord Stream pipelines from Russia to Germany.

While a mild winter and steady flows could see prices drift lower over winter, further shocks would pose a risk that they could shoot far higher.

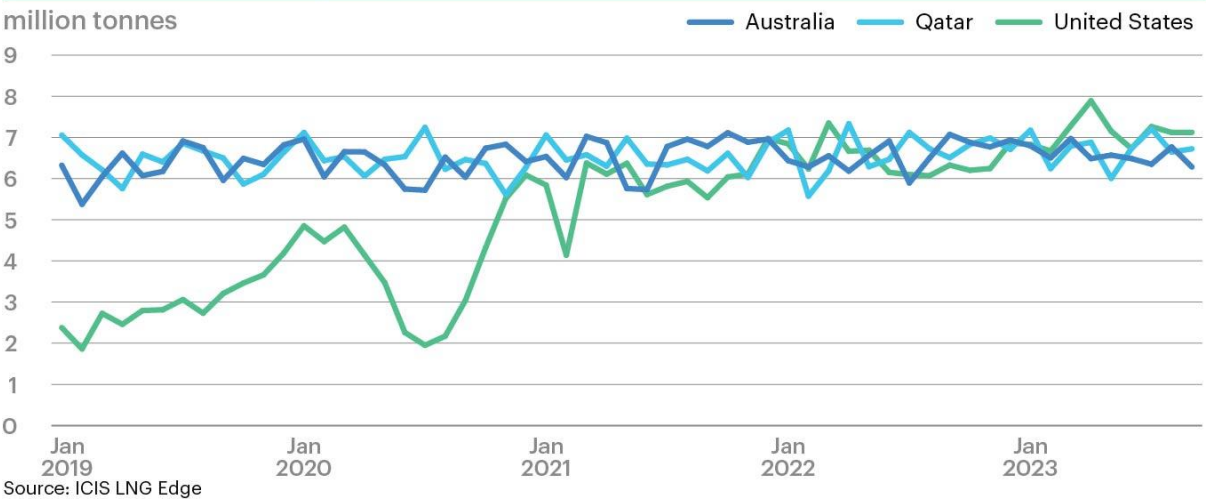
ICIS accepts no liability for commercial decisions based on the content of this report.

Exports:

Global LNG exports during July to September 2023 were measured at 99.8m tonnes, up by 4.2m tonnes or 4% from the same period a year earlier.

The US remained the biggest exporter in the quarter at 21.5m tonnes, with Qatar in second and Australia in third. We expect the US to be the biggest exporter in the world across 2023 as a whole.

Australia, Qatar, US exports,



Source: ICIS LNG Edge

US output was up 3.1m tonnes or 17% from the same quarter last year. The biggest change was from Freeport LNG, which was out of action in the second half of last year, after a fire in June, but loaded some 54 cargoes or 3.5m tonnes during July to September this year.

Freeport LNG has been operating a little below its full capacity since restarting this year, with feedgas generally running around 1.8 to 1.9 Bcf/day, rather than the 2.1 Bcf/day that might be expected at maximum. It's only been running with one jetty so far. However in early October the operators applied to go back to full operations and re-open the second jetty. So output could build a little higher in coming months.

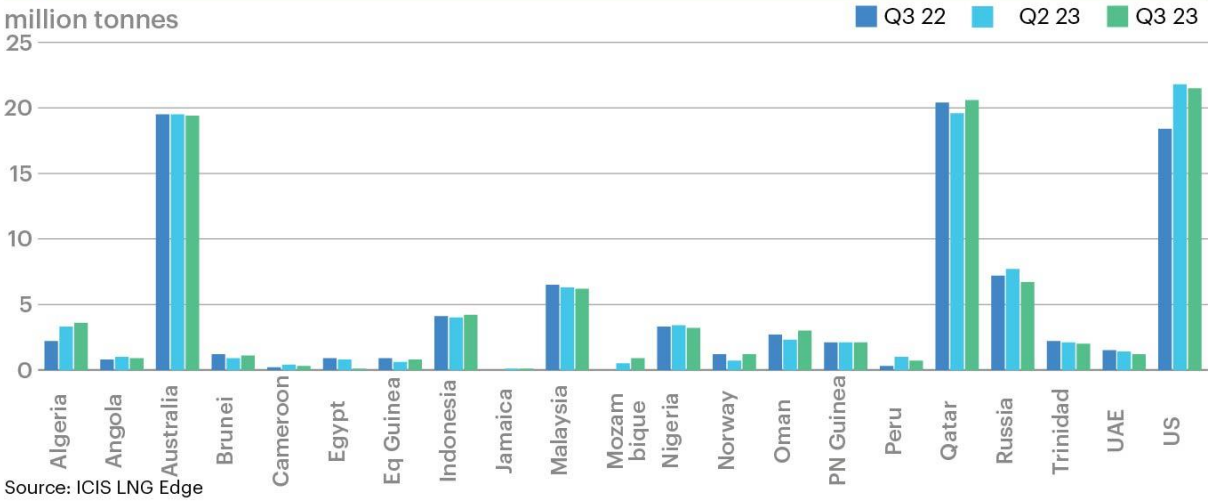
Meanwhile, the 10.0mtpa Calcasieu Pass plant operated by Venture Global loaded 2.4m tonnes in the third quarter, and loaded 10.0m tonnes over the year October 2022-September 2023 as a whole. Venture says the plant is still in its commissioning phase and has not yet entered commercial service. As such it has not been supplying cargoes to its long-term contract customers, but has been keeping the cargoes to sell itself in the spot market. Venture's customers have expressed increasing concern about this delay to the start of commercial service and legal actions have begun.

ICIS accepts no liability for commercial decisions based on the content of this report.

There's not been any substantial impact on US LNG production from the start of the hurricane season. The last time hurricanes had a major impact on the market was in 2020 when Hurricane Laura caused local disruption and led to an outage at the Cameron LNG plant.

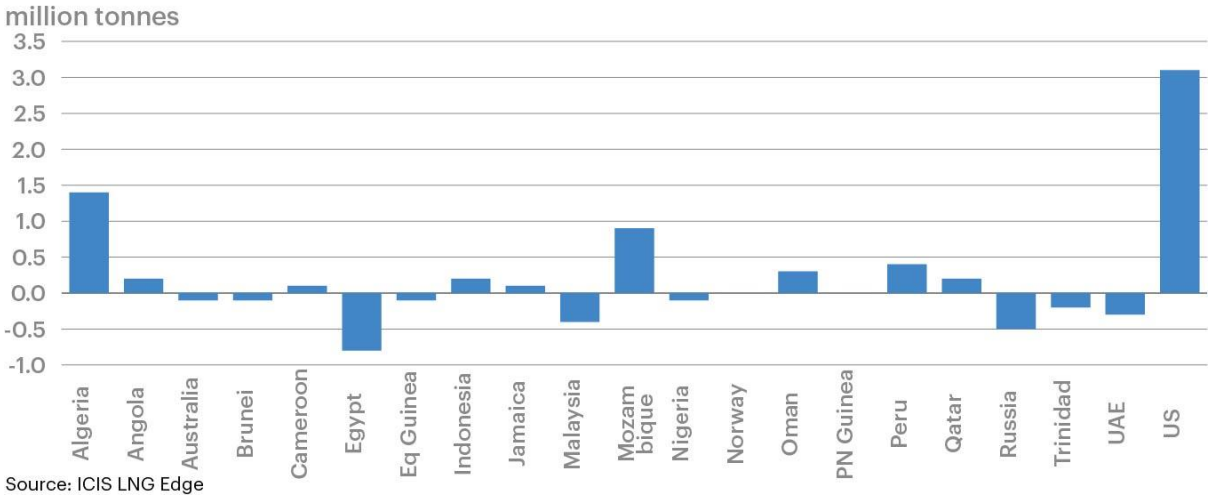
New Fortress Energy is getting ready to start exports in coming months from its 1.4mtpa Fast LNG project offshore Altamira in Mexico. The project will take pipeline gas from onshore Mexico, much of which would originally be sourced from the US, and liquefy it just off the coast for export by tanker. The third of three jack-up rigs being used to house the project set sail from the US recently.

Exports



Source: ICIS LNG Edge

Year-on-year change in exports



Source: ICIS LNG Edge

ICIS accepts no liability for commercial decisions based on the content of this report.

	million tonnes			% change	
Export Country	Q3 22	Q2 23	**Q3 23**	qtr-on-qtr	yr-on-yr
Algeria	2.2	3.3	3.6	9	64
Angola	0.8	1.0	0.9	-10	13
Australia	19.5	19.5	19.4	-1	-1
Brunei	1.2	0.9	1.1	22	-8
Cameroon	0.2	0.4	0.3	-25	50
Egypt	0.9	0.8	0.1	-88	-89
Eq Guinea	0.9	0.6	0.8	33	-11
Indonesia	4.1	4.0	4.2	5	2
Jamaica	-	0.1	0.1	0	
Malaysia	6.5	6.3	6.2	-2	-5
Mozambique	-	0.5	0.9	80	
Nigeria	3.3	3.4	3.2	-6	-3
Norway	1.2	0.7	1.2	71	0
Oman	2.7	2.3	3.0	30	11
PN Guinea	2.1	2.1	2.1	0	0
Peru	0.3	1.0	0.7	-30	133
Qatar	20.4	19.6	20.6	5	1
Russia	7.2	7.7	6.7	-13	-7
Trinidad	2.2	2.1	2.0	-5	-9
UAE	1.5	1.4	1.2	-14	-20
US	18.4	21.8	21.5	-1	17
Total	95.6	99.5	99.8	0	4

Export tonnage rounded to one decimal place, % change calculated from rounded numbers (Source: ICIS LNG Edge)

We measured Qatar's Q3 exports at around 20.6m tonnes during the quarter, similar to the year before. There is some element of uncertainty around Qatari exports as measured by tanker departures because it is possible for Qatar sometimes to load only two thirds of cargo (around 60,000 tonnes) on its larger Q-Flex ships, which have a theoretical capacity of up to 90,000 tonnes.

In September Qatar announced a $4 billion order from South Korean shipyard Hyundai Heavy Industries for a further 17 new tankers, taking its total number on order up to 77, with the possibility of more to follow. The expanded shipping fleet will serve Qatar's new capacity coming onstream later this decade, when the country expands from its initial 77mtpa official nameplate to as much as 126mtpa.

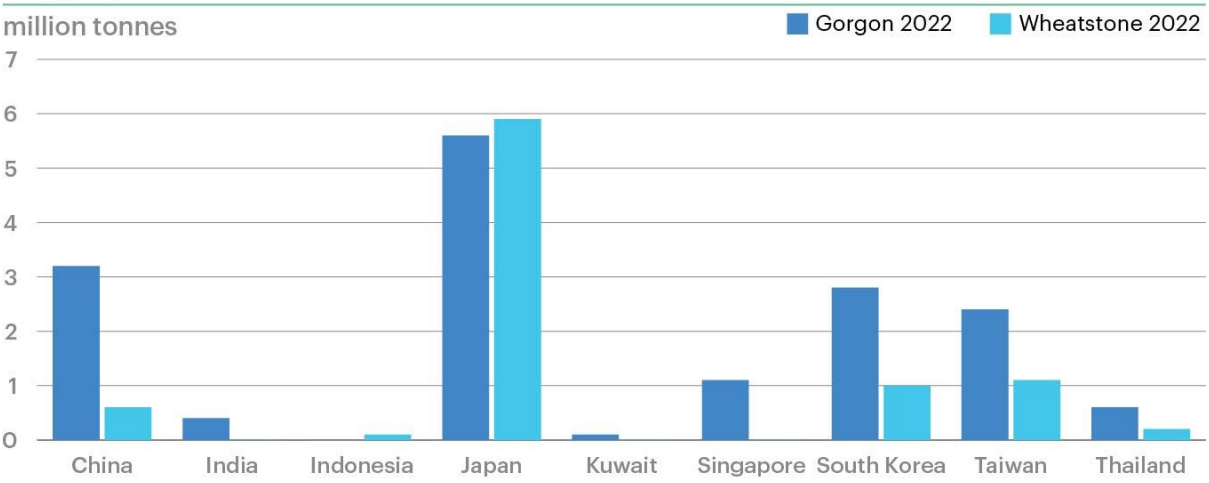
ICIS accepts no liability for commercial decisions based on the content of this report.

Australia exported 19.4m tonnes, similar to the year before. The 3.6mtpa Prelude plant shut down for planned maintenance in August. This was later extended and was still on outage in October. The North West Shelf plant also had some planned maintenance in September.

The biggest news from Australia, though, and indeed for much of the global gas market, was about the prospect of strike action by Australian plant workers at the North West Shelf, Gorgon and Wheatstone LNG plants.

In August it emerged that workers at Woodside Energy's 16.0mtpa North West Shelf plant and at Chevron's 15.6mtpa Gorgon plant and 8.9mtpa Wheatstone plant could go on strike over pay and conditions. Woodside settled quite quickly with the NW Shelf workers, but the dispute between Chevron and its staff rumbled on throughout the quarter and beyond.

Gorgon, Wheatstone deliveries



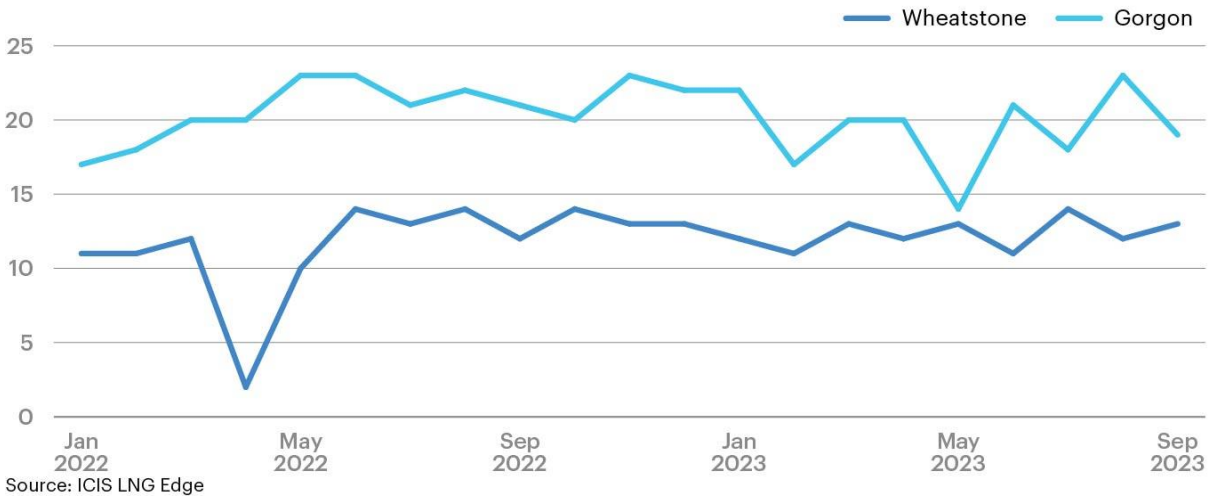
Source: ICIS LNG Edge

The Gorgon and Wheatstone plants together make up around 6% of global LNG supply, with the cargoes supplied to customers in Asia, particularly Japan. If the plants were to shut down completely, this would clearly have a major impact on the global gas market. Chevron or its Asian customers would need to source replacement cargoes from the spot market, increasing competition and prices.

Workers at the plants did start industrial action in September. However, crucially, this did not involve shutting down the plants completely. Indeed loadings seemed relatively unaffected by the strikes. At first the action only affected a number of hours at a time and even when extended it was limited to certain tasks and seemed to allow key production tasks to continue.

ICIS accepts no liability for commercial decisions based on the content of this report.

Number of cargoes loaded



Source: ICIS LNG Edge

At the end of September a deal appeared to have been reached to end the strike. However in early October the unions argued that Chevron was not offering them all the concessions they had asked for and there was a threat of strikes restarting again. However by mid-October it appeared a new deal was approaching once more.

Meanwhile the 3.7mtpa Darwin LNG plant's output has been dropping sharply in recent years and it is expected to halt output soon due to a lack of feedgas. Operator Santos could return the plant to action around 2025 when new supplies are ready from the Barossa project.

Russia was the fourth-biggest LNG producer at 6.7m tonnes, down 7% from the same time last year and 13% from the second quarter of this year. There was scheduled maintenance at both the country's main projects. Sakhalin LNG on the east coast loaded only seven cargoes during maintenance in July, compared with a normal 14-15 per month. The Arctic Yamal LNG project was down to 18 cargoes in August, compared with a normal 23-24. Yamal train three was expected to undergo three weeks of planned work that month.

Gazprom's 1.5mtpa Portovaya plant near St Petersburg loaded four cargoes in the third quarter. Two went to Greece and one, on the 170,000cbm *Velikiy Novgorod*, went to China via the Northern Sea Route, the first Gazprom cargo to export through the Arctic, normally used only by Yamal vessels. The fourth cargo was still on the water at the end of the quarter, heading via the Suez Canal to Asia. No vessels have yet been seen delivering to Russia's two new transhipment hubs at the west end of the Northern Sea Route at Murmansk and at the eastern end at Kamchatka.

Malaysia was the fifth-biggest exporter at 6.2m tonnes, down 0.3m tonnes from the same period last year. It was reported in August that national producer PETRONAS will permanently shut down a section of the key Sabah-Sarawak gas pipeline that supplies the country's Bintulu LNG complex. The pipe had been suffering from various leaks and damage caused by landslides. This could complicate some projects to maintain feedgas supplies in the future.

ICIS accepts no liability for commercial decisions based on the content of this report.

Indonesia's exports of 4.2m tonnes were fairly steady from the previous quarter and the same quarter last year. In Africa, Algeria overtook Nigeria as the continent's top exporter. Algeria produced 3.6m tonnes in Q3 23, up 1.4m tonnes from the same period last year, perhaps due to increased upstream gas production or changes in the balance of domestic demand and pipeline versus LNG exports.

Nigeria's output of 3.2m tonnes was fairly flat to the same period last year. Algeria has been able to sell some spot cargoes free-on-board to be picked up by traders from its plants. Nigeria, meanwhile, is running over a third below its theoretical output capacity, due to disruption to onshore feedgas supplies. We record exports of 13.1m tonnes from Nigeria during October 2022 to September 2023, only around 60% of the country's 22.0mtpa nameplate ability.

Oman has been more successful with increasing output, through new feedgas and debottlenecking operations. Output in the third quarter was recorded at 3.0m tonnes, up 0.3m tonnes from the year before.

Egypt, meanwhile, exported only two cargoes during the quarter, compared with 0.9m tonnes or 15 cargoes in the same time last year. The country decided to prioritize domestic demand for gas, with soaring power generation needs at home during a hot summer, and concerns over blackouts.

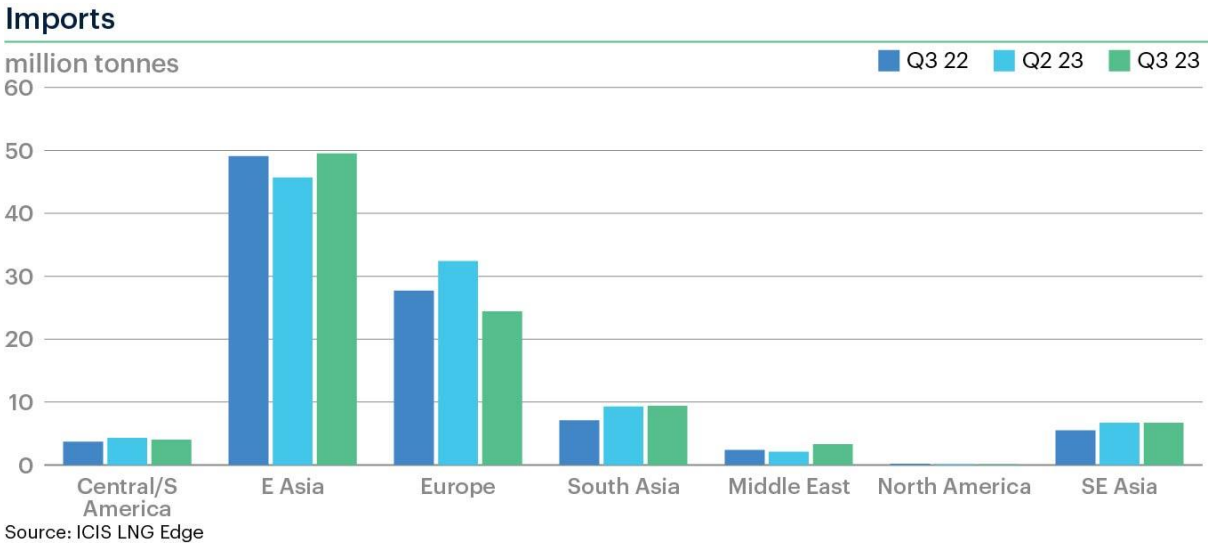
Ships were heading towards the country's Idku plant in early October, suggesting Egypt could be preparing to restart exports again as domestic demand fell back during the cooler winter months. However, the start-up of armed conflict in the region the same month is impacting Israeli pipeline exports through the region, which could reduce feedgas availability once more. Chevron confirmed halting its Tamar gas field offshore Israel in mid-October after the outbreak of attacks on the country.

ICIS accepts no liability for commercial decisions based on the content of this report.

Imports

Global LNG imports of 97.4m tonnes in Q3 2023 were up 2% from the previous year. Imports are counted by day of arrival rather than exports counted for the day of departure.

Europe's imports fell from the previous year in both absolute terms and as a percentage of market share, as the region's high storage levels reduced the immediate need for gas. Europe took a 25% share of global supply, down from 29% in the same period of last year. This freed up gas for India, Pakistan and Bangladesh, with South Asia taking a 10% share of supply, up from 7% the year before. Southeast Asia rose to 7% from 6%, while East Asia held its share steady at 51%.



	million tonnes			% change	
Import Region	Q3 22	Q2 23	**Q3 23**	qtr-on-qtr	yr-on-yr
Central/S America	3.7	4.3	4.0	-7	8
E Asia	49.1	45.7	49.5	8	1
Europe	27.7	32.4	24.4	-25	-12
South Asia	7.1	9.3	9.4	1	32
Middle East	2.4	2.1	3.3	57	38
North America	0.2	0.1	0.1	0	
SE Asia	5.5	6.7	6.7	0	22
Total	95.7	100.6	97.4	-3	2

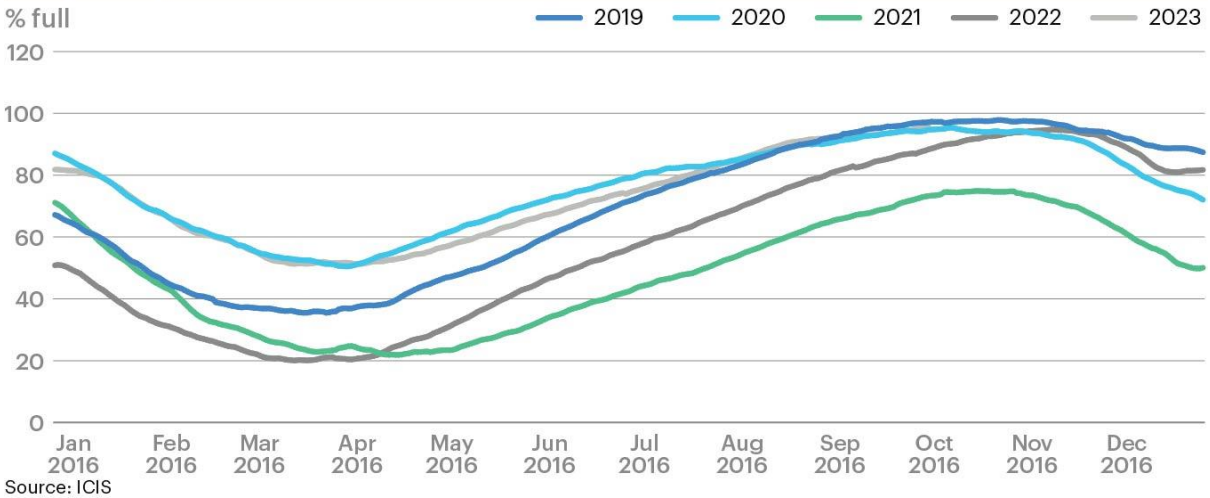
Import tonnage rounded to one decimal place, % change calculated from rounded numbers. Import volumes are counted by day of arrival, whereas export volumes are counted by day of departure (Source: ICIS LNG Edge)

ICIS accepts no liability for commercial decisions based on the content of this report.

Europe's imports of 24.4m tonnes were down 12% from the same period last year. High onshore gas storage levels mean Europe didn't need as much LNG, even though there was even less Russian pipeline supply to Europe than in the same period last year. Russian flows to western Europe largely halted in September, but were still much higher in July-August 2022 than they were in the latter part of the year.

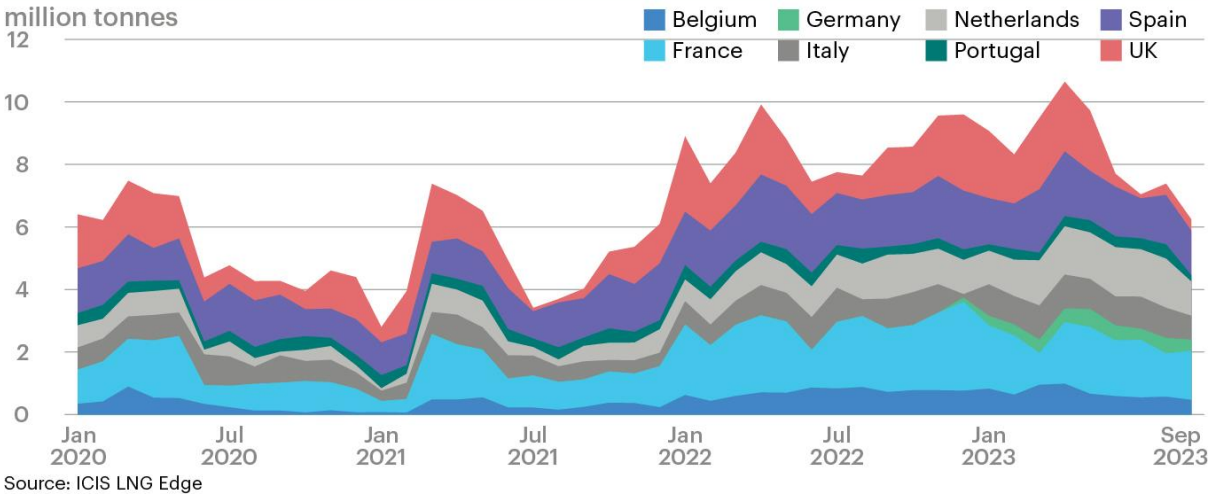
Storage levels were running in line with the highest recent years, such as 2019 and 2020, by August and September 2023. By the start of October the market was well ahead of regulatory storage targets, with facilities mostly full. At the same time last year there were still substantial storage injections across the course of October.

European gas stocks



Source: ICIS

LNG imports to European spot markets



Source: ICIS LNG Edge

France remained Europe's biggest importer in Q3 2023, at 4.8m tonnes, though this was down 1.6m tonnes from the year before period. France has four operational LNG terminals providing plenty of market access for cargoes at Fos Tonkin, Fos Cavaou, Montoir and Dunkirk.

ICIS accepts no liability for commercial decisions based on the content of this report.

France is also opening a new fifth LNG terminal. The *Cape Ann* floating storage and regasification unit arrived at Le Havre in northern France in mid-September for a new project planned by TotalEnergies. It will take some weeks for the final connections to the onshore gas network and commissioning before the facility begins receiving cargoes. However, there were some limited test flows of regasified volumes into the French onshore gas grid seen on a few days in October.

Spain imported 4.3m tonnes in the quarter, making it the second biggest European importer. This was down 0.6m tonnes from the same period of last year. The Netherlands was close behind at 4.2m tonnes, though this was up 0.6m tonnes from the year before, thanks to the opening late last year of the EemsEnergyTerminal at Eemshaven, which has enabled the country to increase its imports this year. The Netherlands and Germany was a key area affected by the shortage of Russian pipeline gas in 2022, so needed to step up LNG supplies greatly, more so than Spain, which was less exposed to the loss of Russia. Gemany, meanwhile, imported 1.2m tonnes in Q3 23, up from nothing the year before, having only opened its first terminal in December 2023.

Italy imported 2.8m tonnes, a little above 2.6m tonnes in the same period last year. Italy's new Piombino terminal had received its first delivery in May 2023 and took a second in July, with a further cargo following in October. Belgium received 1.6m tonnes, down from last year's 2.4m tonnes. Poland, Portugal and Lithuania took in similar amounts of LNG to last year's quarter, at 1.2m tonnes, 1.0m tonnes and 0.6m tonnes.

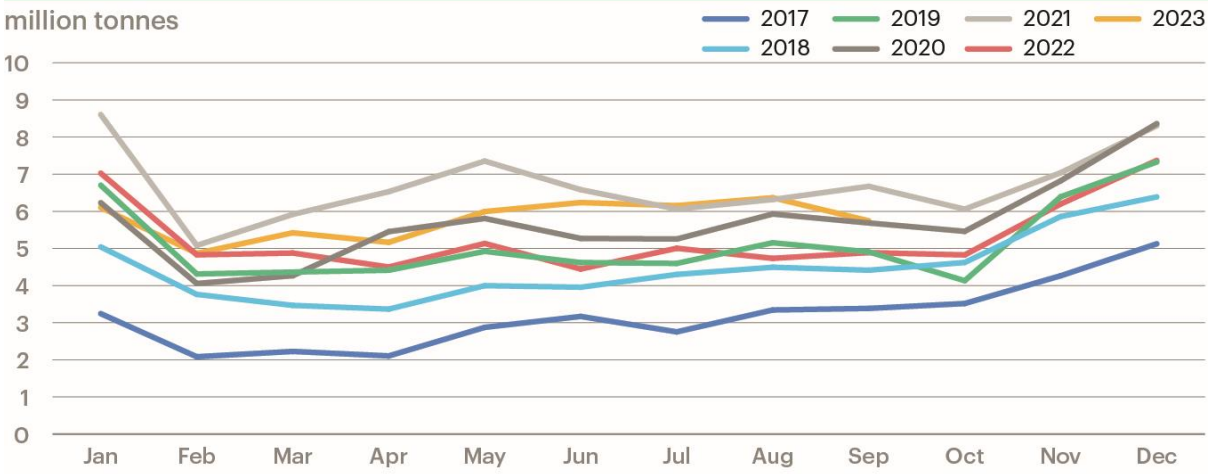
The UK saw the greatest year-on-year drop in LNG imports of any country in the world in the third quarter. The UK's Q3 23 LNG imports reached only 0.8m tonnes, down from 3.0m tonnes in the same time last year, and down from 4.6m tonnes in Q2 23.

During 2022 the UK was a key gateway for LNG to enter Europe, as it was well supplied with LNG regasification capacity. Tankers could unload at the UK's three terminals, then the gas could be piped to Continental Europe through the interconnectors with Belgium and the Netherlands to the area of greatest need in the Netherlands and Germany. That area now has LNG terminals of its own, so LNG shippers can bypass the UK to head straight to the Continental buyers instead. The UK is also a less attractive destination in summer due to its lack of storage capacity for holding gas from summer to winter.

The world's biggest LNG importing region remained East Asia, which took in 49.5m tonnes during the quarter, similar to the year before. There were variations within the region, with China showing strong growth from the year before, offset by declines from Japan and South Korea.

ICIS accepts no liability for commercial decisions based on the content of this report.

China, imports



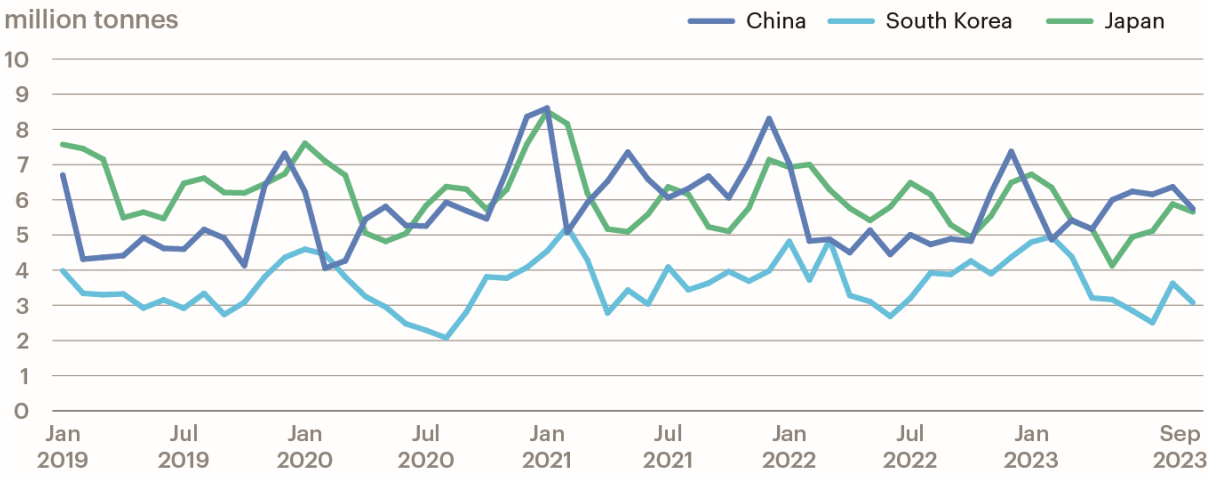
Source: ICIS LNG Edge

China imported 18.3m tonnes in the third quarter, up 3.7m tonnes from the year before. Demand in July and August 2023 was back up to the record levels of 2021, picking up strongly from the start of the year. However, there was a dip back in September to 2020's levels once more.

When China ended its strict covid-lockdown policy at the end of 2022 some commentators asked whether the country's gas demand would soar higher as industry restarted. In the end, however, the new year got off to a relatively subdued start. While there has been growth in summer 2023, China is not yet beating past records again. Gas prices remain high and the tighter global economy may be reducing demand for Chinese export goods.

Japan's imports of 16.6m tonnes were down 1.3m tonnes from the year before. Although Japan had some hot weather over summer boosting electricity demand for air conditioning, in the longer term the restart of nuclear power plants for the first time since the Fukushima disaster of 2011 is dragging down the amount of baseload gas-fired power generation.

China, Japan, South Korea imports



Source: ICIS LNG Edge

ICIS accepts no liability for commercial decisions based on the content of this report.

South Korea imported 9.2m tonnes in the quarter, down 1.8m tonnes from last year. There has been a decline in gas-fired power generation in the country, as well as a turn down in industrial demand for gas related to the weaker global economy. Meanwhile, Taiwan's third quarter imports of 5.4m tonnes were down just 0.2m tonnes from the same period of last year.

South Asia, the world's third biggest LNG-importing region, saw a significant increase in imports from the year before as lower gas prices made the fuel more affordable for buyers in the region. Q3 imports were at 9.4m tonnes, up from 7.1m tonnes last year.

India saw the biggest increase, with imports up 1.4m tonnes to 6.1m tonnes. Pakistan imported 1.8m tonnes, up by 0.4m tonnes from the year before. Bangladesh took in 1.5m tonnes, also up 0.4m tonnes on the year.

Bangladesh has been trying to lock in more long-term supplies to protect itself against future volatility in the spot market. In June it agreed a 2.0mtpa deal for 15 years with QatarEnergy and a 1.5mtpa deal for 15 years with Oman. Both deals start in 2026.

The region of southeast Asia imported 6.7m tonnes, up 1.2m tonnes from the year before. The main driver of growth is the fast-growing market of Thailand, which took 3.0m tonnes, up 0.9m tonnes from the year before. Thailand is replacing declining domestic gas production from its Erewan gas field.

The new importers of the Philippines and Vietnam are taking their first footsteps into the market. The Philippines has two new import projects this year. The FirstGen project, using the *BW Batangas* FSRU, picked up a cargo in a ship-to-ship transfer at Subic Bay in mid-August. The FSRU than returned to its long-term position at Subic Bay. The AG&P project, using the *Ish* as a floating storage unit and onshore regasification, is a little ahead and received deliveries to the *Ish* in July, September and early October.

Vietnam became an LNG importer at the start of the third quarter. PetroVietnam received a cargo from Shell, aboard the *Maran Gas Achilles*, at its new Thi Vai terminal southeast of Ho Chi Minh City on 10 July. The cargo came from the Bontang plant in nearby Indonesia.

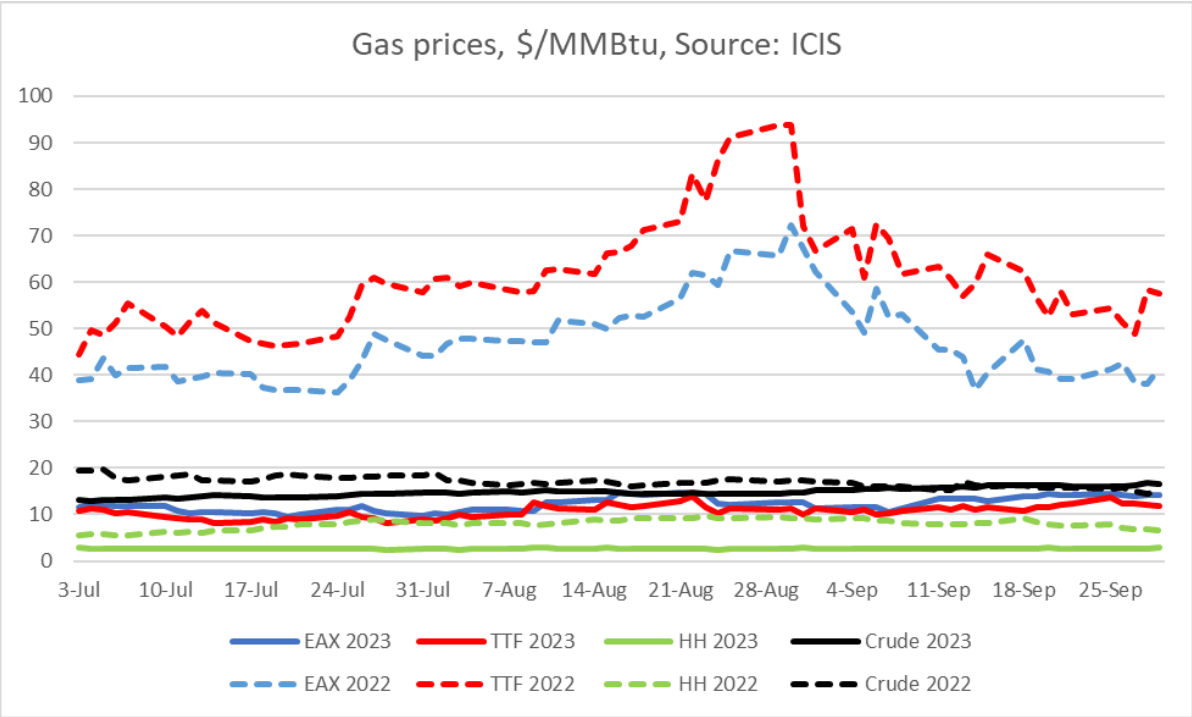
South and central America's imports of 4.0m tonnes were up 0.3m tonnes from the year before. Chile took in 0.9m tonnes, Argentina took 0.7m tonnes and Brazil 0.3m tonnes. Chile was similar to the year before. Argentina's imports were down from 1.0m tonnes the year before, as the country gradually increases its domestic shale gas production and following the opening this summer of the Nestor Kirchner gas pipeline that links the Vaca Muerta shale deposits in the west of the country to the Buenos Aires region in the east. Brazil has good hydropower availability at present. In the third quarter of 2021, when there was a drought, its LNG imports had reached 2.8m tonnes, far higher than this year.

Middle Eastern imports of 3.3m tonnes were up 0.9m tonnes on the year. This nearly all went into Kuwait, which imported 2.8m tonnes, up from 2.1m tonnes in the same period last year. Kuwait's demand has been growing following its opening of a second LNG import terminal at Mina al Zour in summer 2021.

ICIS accepts no liability for commercial decisions based on the content of this report.

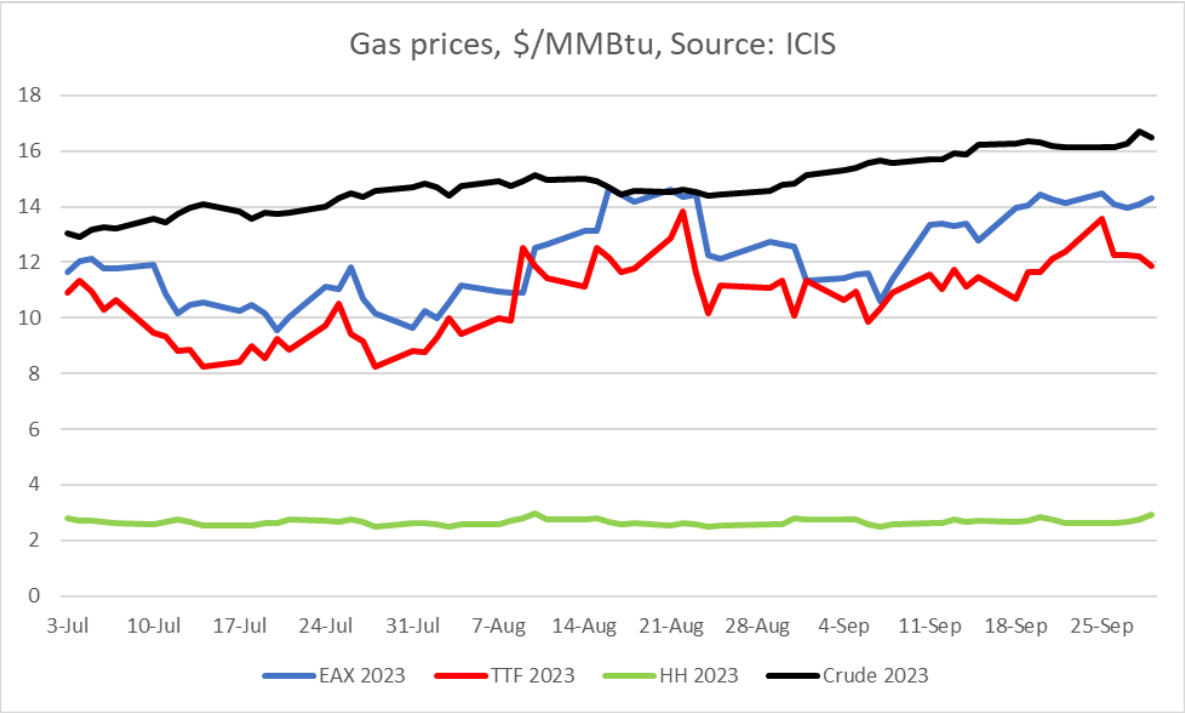
Prices:

Global gas prices this summer were certainly much lower than last year, when August 2022 saw a record-breaking price spike over $90/MMBtu as European buyers feared shortages of gas after Russia halted flows to Europe through the Nord Stream pipeline.



Last year the European TTF price was also trading at a large premium to the East Asia Index throughout the period, as the lack of Russian gas hit the closely-connected Dutch and German gas markets more than other regions. Last year Germany had no import terminals, whereas this year it has three. The Netherlands has also built a new terminal, allowing the Dutch/German region to now compete more easily for LNG.

ICIS accepts no liability for commercial decisions based on the content of this report.



The East Asia Index was trading at a premium to the European TTF price throughout the third quarter this year, in a reversal of last year's position. With Europe's onshore gas storage filling up well ahead of schedule, Asia was able to draw cargoes away from the region.

Spot gas prices were back below the crude oil price, also a contrast to last year, when gas was unusually higher than oil. Traditionally the oil price has been the ceiling for spot gas prices, as when the gas price reaches that level, buyers can burn oil instead, which is normally enough to balance the market. Last year, however, there was such need for gas, and for purposes that couldn't all be substituted by oil, that gas broke through the ceiling.

After falling steadily during the second quarter from April to June, gas prices trended gradually higher across the third quarter from July to September. The second quarter had been bearish after a mild winter. But the third quarter saw some increased bullishness, partly due to Norwegian production outages during the summer maintenance season, but also due to the concerns over the possible LNG strikes in Australia outlined earlier in the report.

The big jump higher in TTF and EAX prices in August was largely related to concerns over Australia, although some traders said it was more of an over-reaction than justified by any genuine lack of gas. Cargo loadings actually continued steadily through some initial industrial action in September. The oil market was also trending higher, which contributed to a more bullish mood.

US Henry Hub gas prices remained very low throughout the quarter by international comparison. That continued to present an attractive margin for liquefying US gas and exporting it overseas to Europe and Asia.

ICIS accepts no liability for commercial decisions based on the content of this report.

There continued to be long-term contract interest in US output. Of the firm deals, two of the more interesting during the period were a 1.0mtpa deal for 15 years between the UK's Centrica and US Delfin Midstream, and a 0.8mtpa deal between German petrochemicals giant BASF and US Cheniere for 2026 to 2043. Both deals were free-on-board, meaning the buyers would pick up the cargoes from the US and choose where to deliver them. They show Europe becoming more willing to sign long-term deals, despite long-term goals to decarbonize the region's energy mix. BASF's deal is also notable for coming from a major industrial producer, looking to take energy procurement into their own hands after being exposed to unwelcome price shocks in recent years.

France's TotalEnergies, meanwhile, in October announced a massive 27 year deal to take 3.5mtpa from Qatar from 2026 to 2053. This is likely the longest-ever LNG import contract for a European buyer, as well as one of the largest. It matches the 27 year terms agreed by Qatar over the last year with two Chinese buyers, CNPC and Sinopec, who each took 4.0mtpa.

TotalEnergies' deal attracted some interest as it showed a European buyer making a major commitment to fossil fuels, including with a deal that lasts beyond the 2050 date targeted for Europe to reach net zero. However, net zero does not necessarily mean zero fossil fuels, if they can be used with carbon capture equipment, and in security of supply terms, Europe needs to replace huge amounts of lost Russian pipeline gas for many years to come.

The deal was, in any case, not entirely surprising. Total has upstream investments in Qatar's North Field East and North Field South expansion projects, which gave it an entitlement to an equity share of 3.5mtpa of production, so effectively the company is just taking its own share of the LNG into France, where there remains ongoing demand for gas for home heating, power generation and industry. France was actually the fourth largest LNG importer in the world in 2022 at 26.0m tonnes, and is the fifth largest in the world in the year-to-date. In 2022 France took 1.5m tonnes or 6% of its LNG from Qatar, but took 45% from the US.

A week later the TotalEnergies deal was followed by a similar deal between QatarEnergy and Shell, who have a similar upstream investment in Qatar to TotalEnergies. Shell said it would take its own 3.5mtpa of supplies into the Netherlands in a 27 year contract. A week after that Italy's ENI announced a deal for 1.0mtpa into Italy for 27 years, matching its upstream position.

ICIS accepts no liability for commercial decisions based on the content of this report.

The quarter ahead:

Europe's vast onshore storage facilities reached high stock levels well ahead of schedule thanks to steady supplies of LNG over summer. As predicted in our last quarterly report, this has led to the start of a build-up of floating storage off the coast of Europe.

As Europe's main storage sites approached full, traders looked for other ways to store gas. This included sending gas east into Ukraine to use storage facilities there, despite the risks of the ongoing war. And some laden tankers started to wait off the coast of Europe to deliver in later months, acting as floating storage.

In early October there were around 10-14 vessels identified as waiting offshore Europe without immediate delivery plans. Common waiting spots include off northern Denmark, by southwest UK, and the largest waiting spots by Cadiz in southern Spain and Gibraltar. Waiting by southern Spain is convenient for a ship to choose to deliver either to Europe or to head off east to the Suez Canal for Asia. In mid-October there were a couple of ships, such as the *LNG Rosenrot* from the US, and the *New Apex* with a reloaded cargo from Spain, that had been waiting for two months since picking up their cargoes in mid-August.

If the weather is relatively mild across October and November, the number of cargoes floating off Europe could steadily build, perhaps to around 20-30 cargoes, as seen around the same time last year.

High storage levels combine with weak demand in Europe to present a bearish fundamental outlook. Gas demand is still greatly reduced from levels before the Russia-Ukraine energy crisis, with some lost industrial demand expected to be permanent and some other demand still nervous about restarting this winter if there could yet be price spikes to come in following months.

In our recent ICIS energy foresight report covering our Winter 23/24 outlook for European gas, power and carbon markets, we noted that during January-September 2023 European gas demand fell by 11% from the previous year and by 17% compared with the 2017-2021 average. We also noted that lower prices in summer 2023 had not resulted in a significant recovery, with gas demand at least 10% below the five-year average in each month of 2023.

Consumers continue to face tough economic conditions with high inflation rates reducing their spending power, making energy-saving a priority for many users, and also reducing their ability to make big purchases of finished goods, which in turn hits industrial demand.

However, despite this fundamental weakness, the market was moving higher across September and early October. The main driver was unexpected incidents and geopolitical tensions: a new conflict in the Middle East, strikes in Australia and damage to the Finland-Estonia gas interconnector pipeline.

ICIS accepts no liability for commercial decisions based on the content of this report.

Nervousness over what *might* happen is over-riding the comfortable physical supply position for immediate deliveries. There is potential, given mild weather and no further problems, for the market to gradually drift lower over coming months. However, the downside risk is limited by the potential for increased consumption in Asia. If spot gas prices continue to fall, there should be considerable additional demand from buyers in India, Pakistan, China and elsewhere.

However, it is possible to imagine a number of scenarios where current problems worsened resulting in shortages of gas for Europe and Asia and leading to a huge spike higher as buyers compete for a handful of spot cargoes to prevent energy shortages over winter. Traders are weighing up the asymmetric risk of a small drift lower in the event of a mild winter against the possibility of enormous leaps higher, as seen in Summer 2022, if there are problems.

Increased competition between Europe and Asia for LNG in the event of a tight winter could see prices rise to $20-30/MMBtu levels to shut some users out of the market, ensuring those willing to spend the most can keep their household customers supplied. And Summer 2022 shows that in extreme circumstances prices two or three times that level are not impossible.

The conflict in the Middle East has reduced Israel's gas production, including the closure of the Tamar field. This reduces gas exports from Israel to Egypt and Jordan, which is likely to reduce Egypt's exports of LNG and could make it more likely for Jordan to import a cargo. The conflict could also prove bullish for oil prices, which in turn would pull up the price of oil-indexed LNG contracts still common in Asia.

LNG strikes in Australia appeared to be reaching a conclusion in mid-October as the workers and employer Chevron neared an agreement once more. The prospects of a major loss of Australian output seem low.

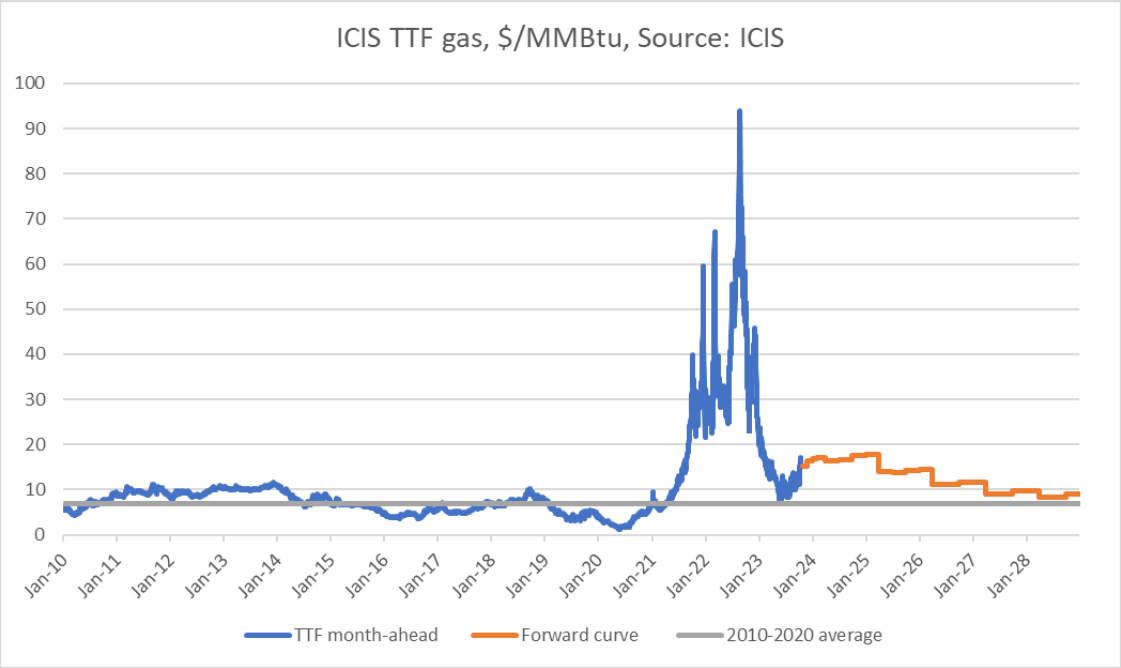
The damage to the Finland-Estonia gas pipeline does not pose a threat to Finland's energy supplies. The country can meet its demand through LNG imports to the Inkoo LNG terminal newly opened this year. Gas supplies in the eastern Baltic may be re-arranged as a result, but there is likely to be little additional demand as a result.

However, the damage to this pipeline, following last year's explosions on the Nord Stream gas lines, raises concerns over whether any other infrastructure could suffer problems this winter. Any damage to Norwegian export routes would be critical to the market. Norwegian authorities are patrolling their assets regularly as a result.

The gas market has still not yet readjusted fully to the huge structural shock of losing the bulk of Russian gas flows to Europe in 2022. There has not been a lot of new production added to the market worldwide, with major increases to LNG liquefaction only due from 2026/27 onwards. That means that even though full storage should keep the market well supplied in the fourth quarter, there is also still the potential for a much tighter market and an upturn in prices in the first quarter in the event of long cold periods across winter as a whole.

ICIS accepts no liability for commercial decisions based on the content of this report.

Summer 2024 could be a relatively comfortable period, like Summer 2023, if the preceding winter is mild and the geopolitical situation calms. If the winter is cold or further problems emerge then Summer 2024 will see higher prices as Europe works harder to refill storage ahead of Winter 2024.



Forward prices remain above the long-term 2010-2020 average of $7.00/MMBtu out until at least the end of 2028. The curve moves lower as new production starts up from Qatar and the US later in the decade, but still doesn't move back to the previous levels. The tensions of early October have, meanwhile, pushed the near-term curve higher.

ICIS accepts no liability for commercial decisions based on the content of this report.

		mtpa	Date
Egypt	Damietta	4.8	First cargo 22 February 2021
Malaysia	PFLNG2	1.5	First cargo 22 March 2021
Russia	Yamal T4	0.9	First LNG January 2021
US	Sabine Pass T6	4.5	First LNG by end 2021
US	Calcasieu Pass	10	First cargoes March 2022
Mozambique	Coral South	3.4	First cargo November 2022.
Indonesia	Tangguh T3	3.8	October 203
Mexico	Altamira FLNG	1.4	November 2023
Republic of Congo	Congo LNG	0.6	Possible winter 2023/24
Russia	Arctic LNG 2	6.6	Early 2024?
Senegal	Tortue	2.5	First half 2024?

In terms of new production reaching the market, BP's 3.8mtpa Tangguh train 3 reported its first cargo in mid-October, to be delivered elsewhere in Indonesia. The country both exports and imports LNG, to different regions. It remains to be seen how quickly the facility will ramp up to full capacity. The project is a welcome addition to global supplies ahead of what could be another tight winter. It is, however, later than originally planned. When the final investment decision on the project was first announced in 2016, the targeted launch date was 2020, some three years before its final start-up.

New Fortress Energy said in mid-October it was hoping for the first LNG from its 1.4mtpa Fast LNG project offshore Altamira in Mexico in November. The project is small, though, and won't make a major difference to global markets. It could also be used to serve the company's local interests in various smaller projects in the Americas.

BP's 2.5mtpa Tortue project offshore Senegal is slipping into 2024 after delays in laying the final part of a connecting pipeline. The pipelay contractors, McDermott International, left the project and BP had to arrange a new deal with Allseas instead. Meanwhile, Eni could start up its small 0.6mtpa project off the Republic of the Congo in coming months.

There could also be cargoes in early 2024 from the 6.6mtpa Arctic LNG 2 train one in Russia. It's not entirely clear how deeply this project has been hit by sanctions on Russian companies following the war in Ukraine. Observers suggest that the sanctions may slow progress on the second and third trains more heavily than train one, where more equipment would already have been built before sanctions began. While the project may not run at full capacity, market sources expect some loadings to begin next year.

Report author: Alex Froley, alex.froley@icis.com
Contact the LNG team: lnganalysts@icis.com

ICIS accepts no liability for commercial decisions based on the content of this report.

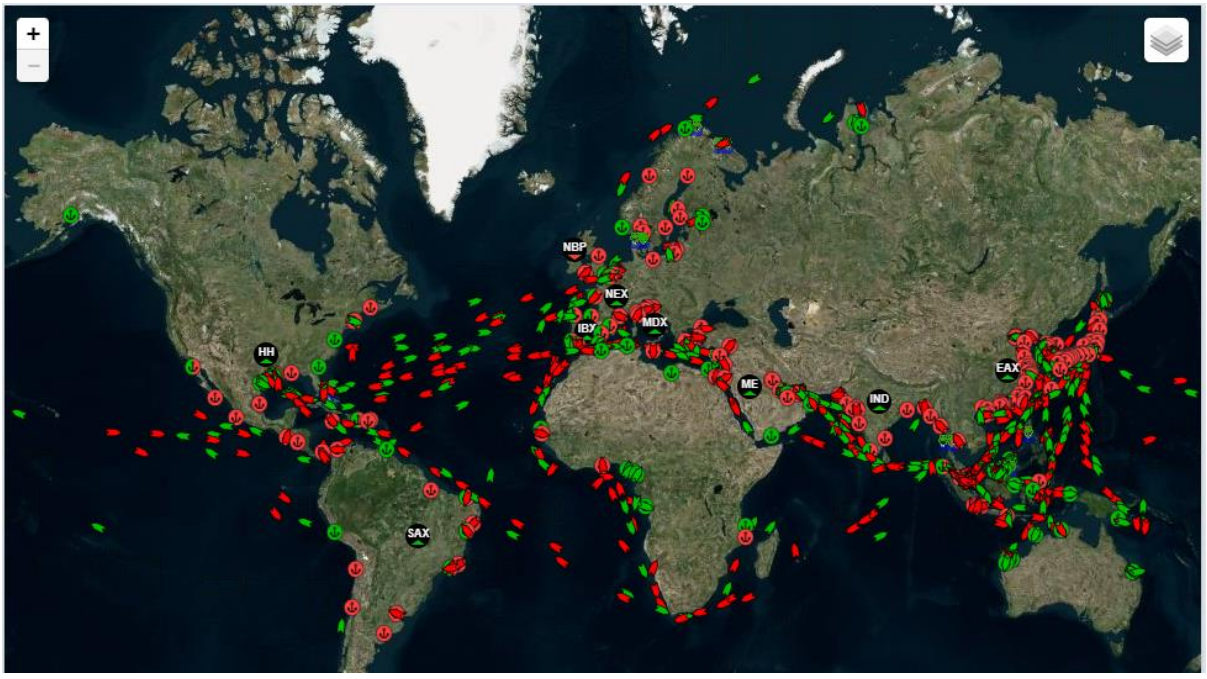
ICIS LNG Edge market intelligence

The ICIS LNG Edge market intelligence platform tracks cargoes in real-time around the world, keeping users in touch with increasingly fast-paced and globalizing gas markets.

ICIS LNG Edge uses satellite data to monitor the imports and exports of global consumers and producers. A dedicated team of analysts supplement this physical data with commercial information from customs agencies and other sources to add in-depth price and volume data to voyage records.

Our Supply and Demand Forecast provides a two-year forward forecast of global trade, drawing on our historic data and analysis of future trends.

ICIS LNG Edge also provides a database of global LNG contracts, an infrastructure database, news and alert services and more. The ICIS publication *LNG Markets Daily* contains the latest news as well as a full range of price assessments.



Contact us:
For more information on our ICIS LNG Edge data:
https://www.icis.com/explore/contact/

Stay ahead of LNG market dynamics

Keep in touch with the fast-paced and globalizing gas markets with a dedicated team of analysts, tracking cargoes in real-time around the world. With ICIS LNG Edge market intelligence, you can understand how global developments are impacting your regional market.

ICIS accepts no liability for commercial decisions based on the content of this report.