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Northwest Europe Small-Scale LNG

Small-scale LNG prices rise on firmer hubs

Small-scale LNG prices rose this week as colder than average weather forecast in much of northwest Europe supported prices at the Dutch TTF, UK NBP and Belgium Zeebrugge natural gas trading hubs.

Average temperatures across much of northwest Europe are forecast to remain below long-term seasonal averages for well into May. The front-month price at the TTF was €12.53/MWh on Thursday, up by over €1/Mwh from Thursday last week.

Oil prices meanwhile were up only marginally this week, while price movements for many of LNG's direct competing fuels were mixed. Slightly higher oil prices helped add a little to the support granted by natural gas hubs.

In the marine fuels market this week, Qatari state-controlled LNG producer Qatargas and Shell have agreed with UAE-based United Arab Shipping (UASC) to explore the use of LNG as a marine fuel in the Middle East. This is the second agreement to explore LNG as a marine fuel that Qatargas and Shell have made with a shipping company. They signed a similar agreement with Denmark's Maersk in February.

As one of the largest producers of LNG Qatargas is well positioned to supply any bunkering demand that emerges. But LNG bunkering infrastructure in the Middle East is limited at present so progress in the region may be slow.

Closer to Europe, LNG production is scheduled to begin soon at a new site in Pskov in Russia, which could be used to serve Baltic markets. In addition, construction started on a new LNG production site in the Russian enclave of Kaliningrad.

The Kaliningrad site could be of great benefit to the Polish LNG market as Poland's two existing LNG production sites have unstable output and LNG coming on trucks from northwest Europe can be prohibitively expensive because of logistics costs.

The small-scale LNG market is developing with many truck loading facilities, bunkering sites and LNG fuelling stations opening across Europe. Buyers and sellers are increasingly in need of a transparent price for this new market.

In response to this, Argus began assessing a northwest Europe small-scale free-on-truck LNG price on 14 April 2016. The price is assessed every Thursday for the front-month contract.

Having access to a market assessed price for small-scale LNG will better inform market participants - such as LNG suppliers, distributors and end users - to negotiate with their counterparts. It will also be valuable for shipping, industrial or transport companies who may be considering the use of LNG as a fuel.

Argus LNG Daily

The price is available in the Argus LNG Daily market service, which also provides information about shipping movements, market-moving news and analysis.

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Northwest Europe small-scale free-on-truck (21 April 2016)		
	May	± 14 Apr
€/MWh	18.12	+0.37
\$/mm Btu	6.00	+0.14
\$/t Marine gasoil equivalent	242.33	+5.78

Natural gas/LNG

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