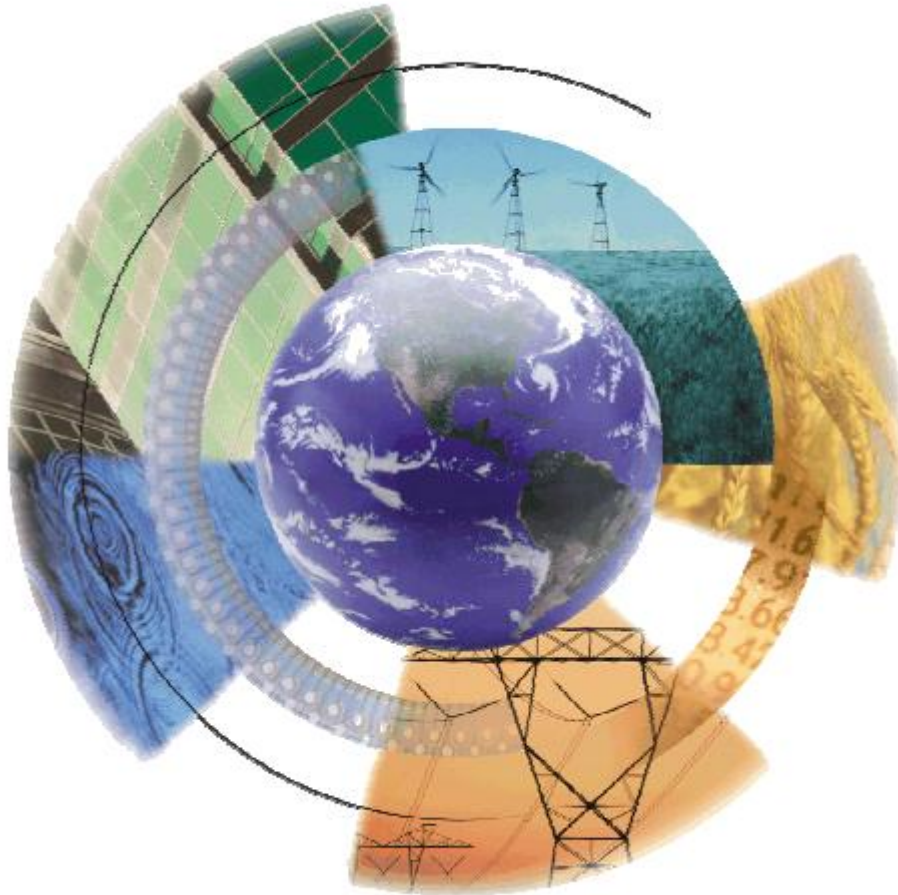




Commodity Markets Intelligence Series



Essentials of LNG Trading and Risk Management

June, 2012

Introduction

As there is so much dynamics in the global market place, the short-term LNG market and trading are developing very fast. How to keep up with these developments, this report will support you with that.

The main drivers of the LNG markets supply and demand are relatively easy to predict for the short and midterm. How is it then possible that the LNG market has changed so dramatically over the past few years? Who could have forecasted the impact of the shale gas revolution due to new technology to extract gas from shale economically? Who could have forecasted that as a result of the Fukushima earthquake not only Japan would have to change its energy mix and rely more on more on LNG imports, but also that Germany would phase out its nuclear plants? These changes have had an impact on supply and demand, and have affected gas pricing differently in various parts of the world.

There are so many issues that could influence the way the LNG trading markets will develop. It is therefore crucial for you and your company to understand the current and future drivers of the trading markets.

In this report we will give you an overview of the essential drivers of the trading markets and you will get close being a real LNG trader. We will discuss all the relevant information, market outlook, expectations, forecasts, available derivative instruments etc. that a trader will use to determine his or her strategy.

We will answer questions like how does the future of LNG trading looks like until the end of this decade? What will be the main drivers and possible game changers to look out for ? What will be the impact of new LNG output from Australia and the US coming on stream in the years to come? Will there be enough shipping capacity available or is that going to become the main constraint? What will happen to demand in Asia, will it really surge as predicted? What will be the impact of the demand for LNG in the Middle East for the European players?

All that uncertainty would also increase the need for risk management and hedging instruments like JKM Swaps. By using practical examples we will discuss the strategies that you could apply.

This is a highly practical and essential report for everyone who would like to understand what is driving the LNG trading markets

After reading the report you will have a thorough understanding of:

- The current and global drivers in world Natural gas and LNG markets
- The trading structures of LNG and how to structure its risk management
- The working and future outlook of the Asian LNG Spot market
- The arbitrage trading opportunities between the different markets
- What LNG derivatives are and will become available for hedging and proprietary trading purposes

About the Author

Kasper Walet has more than 25 years of experience in the commodity trading and risk management industry. With his company Maycroft he has advised energy companies, banks, trading houses, exchanges and clearing houses and large industrial companies from all over the world. For writing this report I have tapped on my experiences of the many years that I have walked around in the energy commodity industry and my expert knowledge that I have gathered by doing LNG Trading training courses in Europe and Asia as well as conducting projects for (LNG) energy companies and banks.

Overview Contents

Overview of LNG Markets

- Regional or Global market
- Impact Shale gas revolution
- Will global gas demand boom?
- LNG Value Chain
- Supply and demand
- Large scale vs. small to mid-scale
- Will LNG replace bunker fuel
- Sellers vs. Buyers market
- Competition between markets
 - LNG Supply; Atlantic Basin, Pacific Basin, Middle East and New producers
 - LNG Import; Atlantic Basin, Middle East and Pacific Basin
- Players, both upstream and downstream, and their major characteristics and strategies
- Market trends
- Future global Outlook

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- Emerging Asian Markets: Singapore, Thailand, Philippines Vietnam
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- Europe; how to attract enough supplies

LNG contracting structures and pricing mechanisms

- Contract structures
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- Types of price formation mechanisms
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LNG trading and trading markets

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- What is long term , short term and what is spot
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- Traditional players; South Korea ,Japan and Taiwan
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- Entrance new financial players
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- JKM LNG Swap
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- ICE Cleared JKM Swap
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- Hedging with LNG derivatives and/or proxy hedge
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