Gas Strategies
Information Services

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Clause scrutiny: How significant was the JFTC ruling?

At the end of June, the Japan Fair Trade Commission (JFTC), which enforces the country's anti-monopoly legislation, published the results of its investigation into restrictive practices in long-term LNG sales contracts. It looked into the issue of contractual clauses which impose restrictions, or conditions, on the destination to which LNG cargoes can be delivered, and concluded that in certain circumstances, and particularly in FOB contracts, such contractual provisions were likely to contravene Japan's anti-monopoly legislation.

This is an important decision. The large majority of Asian LNG contracts contain destination restrictions of one form or another, and the JFTC report attracted a lot of attention and press comment. But how much difference has it actually made, and what actions are buyers and sellers taking as a result of the JFTC report? Will it, as many press reports have suggested, speed up the development of more liquid traded markets?

![Gas Strategies logo]

Consulting

+44 (0) 20 7332 9900
consult@gasstrategies.com

Alphatania Training

+44 (0) 20 7332 9910
training@gasstrategies.com

Information Services

+44 (0) 20 7332 9976
subscriptions@gasstrategies.com