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Choppy Seas: the ups and downs of LNG economics

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Choppy Seas: the ups and downs of LNG economics

Over the last decade the fundamentals of the LNG trade have undergone some huge shifts. The capital costs of LNG plants have escalated by a factor of 4 or 5. And prices have fluctuated wildly, with US gas prices climbing to over \$10/MMBtu in the winter of visual_editor000/visual_editor001, peaking to \$13/MMBtu in mid-visual_editor008, before entering into what most consider now a future of weak, sub-\$5/MMBtu prices as shale gas production has surged. In Asia, and much of Europe, prices are linked to the oil price, whose annual average has varied from \$visual_editor4/bbl in visual_editor001 to \$97/bbl in visual_editor008. In the face of this level of volatility, how can LNG plants secure their profitability and indeed, how profitable has the business really been in the past? We examine the changing fundamentals of the LNG business and explore their possible effect on the industry's future.



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