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Will US LNG exports upset the JCC linkage in Asian LNG contracts?

Plans for US LNG exports are continuing to gain momentum, although no projects have yet taken an investment decision. Asian markets, which currently offer the consistently highest LNG prices in the world, are likely to be a major target for these schemes, and Kogas and Gail have already signed up for long-term supply from Sabine Pass. These latter contracts are some of the very few long-term contracts into Asia that do not tie the LNG price to the ubiquitous Japan Custom Cleared crude (JCC) oil index. And with US gas prices having plunged to sub-\$visual_editor/MMBtu levels recently, the potential feedstock cost advantage of US plants is obvious. This has given rise to speculation as to whether US LNG exports could undercut the prices that other LNG exporters can offer and could even catalyse a move away from JCC as an index. In this article we assess the threat that US LNG exports pose to the current price structure of long-term Asian LNG contracts.

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