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The outlook for short-term trading – are the LNG markets getting more or less flexible?

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# The outlook for short-term trading – are the LNG markets getting more or less flexible?

Around 61.1 million tonnes of LNG was delivered under short-term contracts in 2011, making up some 5.4% of global LNG imports – up significantly from the 18.9% share that short-term LNG held in 2010. The increasing importance of spot and short-term LNG continues the trend of recent years, and prompts the question of whether the increased importance of short-term trades is part of an inevitable trend to a more flexible LNG business, in which short-term trading might ultimately replace the traditional reliance on long-term contracts. But, on the other hand, the large majority of the contracts which underwrite the current expansion in Australian LNG capacity are of a fairly traditional sort, with relatively little flexibility, suggesting that the trend to more flexible trade might be at least slowing down. In this article we look at the reasons behind the growing importance of short-term LNG in recent years and ask the question of whether the LNG business can be expected to become more or less flexible in the years to come.

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