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Creating a compelling proposition in the crowded LNG market

Standing out from the competition

With LNG production sources increasing significantly, and an array of future LNG projects in the planning, buyers have plenty of choice when it comes to deciding on their gas supply. If you're one of the many companies marketing prospective US liquefaction projects, how do you go about differentiating your offer in a crowded marketplace?

Those who were earliest to market were able to establish themselves at the time simply by being a low-cost Henry Hub-indexed gas supply alternative to oil-indexation, and offering either sale and purchase agreements or a tolling arrangement.

Competing with incumbents

With oil prices normalising, US liquefaction projects and models have become less financially attractive than had been the case. The increasing level of competition between projects started a price war over liquefaction costs and sometimes basis differential.

If you're trying to get a potential LNG project up and running, it is a challenge to compete on price with existing projects that are able to expand at a much lower cost than new entrants to the market. Incumbents can leverage shared infrastructure and point towards the proven project development record of an established and experienced team.

Reshaping the offer

As a result, our client - in common with many of its peers and competitors - was challenged to offer a commercial proposition that appealed to buyers. Drawing on our experience of working closely with buyers, our understanding of how their needs are changing over time, and our assessment that the LNG market will segment to serve the specific needs of different buyers and business models, we started to reshape our client's offer.

Starting with the geographic and location-specific benefits of their LNG project, we explored ways in which our client could maximise the value of its proposition. We then investigated factors which buyers might consider to be a disadvantage or 'red flag' in order to identify any weaker points in the offer and mitigate them.

Our client was able to use these findings to target its marketing towards buyers who were most likely to be receptive to the proposition. The offer was tailored to these prospects, with answers to probable concerns already prepared.



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