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The Panama Canal: LNG's new choke point?

It is two years since the Panama Canal expansion opened for business, allowing full-sized LNG tankers to transit the waterway for the first time. This enabled LNG produced in the Atlantic basin to reach Asian markets without going through the Suez Canal, around Cape Horn or the Cape of Good Hope, promising significant savings both in voyage time and cost, with the savings being greatest for US projects, amounting to around USD 0.5/MMBtu on a delivery to northern Asia.

With most of future LNG demand expected to be in Asia, and with so much new US LNG under construction and planned, there is likely to be plenty of call for the Canal's services. But the space allocated to LNG tankers is strictly limited, currently amounting to one transit per day in the advance booking system, with slots already booked up until well into 2020.

There is talk of increasing the allocation of slots to LNG tankers and even of building a further expansion of capacity sometime in the future. For the moment, there is increasing concern about whether the Canal will be available to all LNG tankers that might wish to use it, or turn out to be a 'choke point' in global LNG trade.

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