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Wolf at the door: Is the LNG glut finally here?

It is two years since LNG Business Review published an article titled 'Glut, what Glut?' describing growing optimism that the LNG industry would avoid the supply glut that many commentators had expected. We quoted optimistic statements by Shell and BP that an oversupply of LNG was unlikely, and that the market would absorb the impending wave of new production without any major price shock. And, in fact, this proved correct. LNG spot prices – the best indicator of any glut – continued on a general upward trend, reaching into double figures in the winters of 2016-17 and 2017-18, and in August 2018 reaching a high of USD 11.50/MMBtu.

This trend now seems to have reversed. A big step up in LNG output at the end of 2018, coupled with mild weather and a slowdown of the rate of growth in China has caused LNG spot prices to crater. JKM has been around, and sometimes less than, USD 5/MMBtu, and even traded at a discount to European prices in April – an almost unprecedented situation. So, is the feared glut finally here? If so, how long will it last?

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