

# Commercial Strategies For LNG Terminals

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## MARKET PRICING FOR LNG TERMINAL CAPACITY

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European Federation of Energy Traders



# MARKET PRICING FOR LNG TERMINAL CAPACITY

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- § About EFET
- § The EU Gas Market
- § The LNG capacity problem
- § A market solution

# EFET: The voice of energy traders in Europe.

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The European Federation  
of Energy Traders (EFET)



- § Represents over 80 trading companies operating in about 20 countries
- § Promotes pan-European energy trading in open, transparent and liquid wholesale markets.
- § Main activities include:
  - Advocacy for liberalised markets
  - Promotion of energy trading in Europe
  - Standardisation of contracts

# THE EFET MISSION: improve conditions for energy trading in Europe.

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*“... fostering the development of an open, liquid and transparent European wholesale energy market”.*

**Through better:**

- § Information transparency
- § Data exchange
- § Products and procedures
- § Laws
- § Regulation
- § Taxation
- § European Contracts
- § Organised market



HYDRO



IBERDROLA



LEHMAN BROTHERS

JPMorganChase

Gasunie  
Trade & Supply  
B.V.



ELECTROMAGNETICA

kelag

M-STROM AG

Magnox



Merrill Lynch

Morgan Stanley

NOK Nordostschweizerische Kraftwerke AG  
Ein Unternehmen der axpo

MVM  
THE SOURCE OF POWER



MVV Energiehandel GmbH

mark

NUON

ONS

OST  
ELEKTRA



RWE

Sempra Energy



Stadtwerke Leipzig  
Alles ganz einfach.



Statkraft

sydkraft

SYNECO

STATOIL

SJB energy trading

Trafigura Ltd



TOTAL

tiroler  
wasser  
kraft



Trianel Energie

UNION FENOSA

VATTENFALL



EFET

www.efet.org

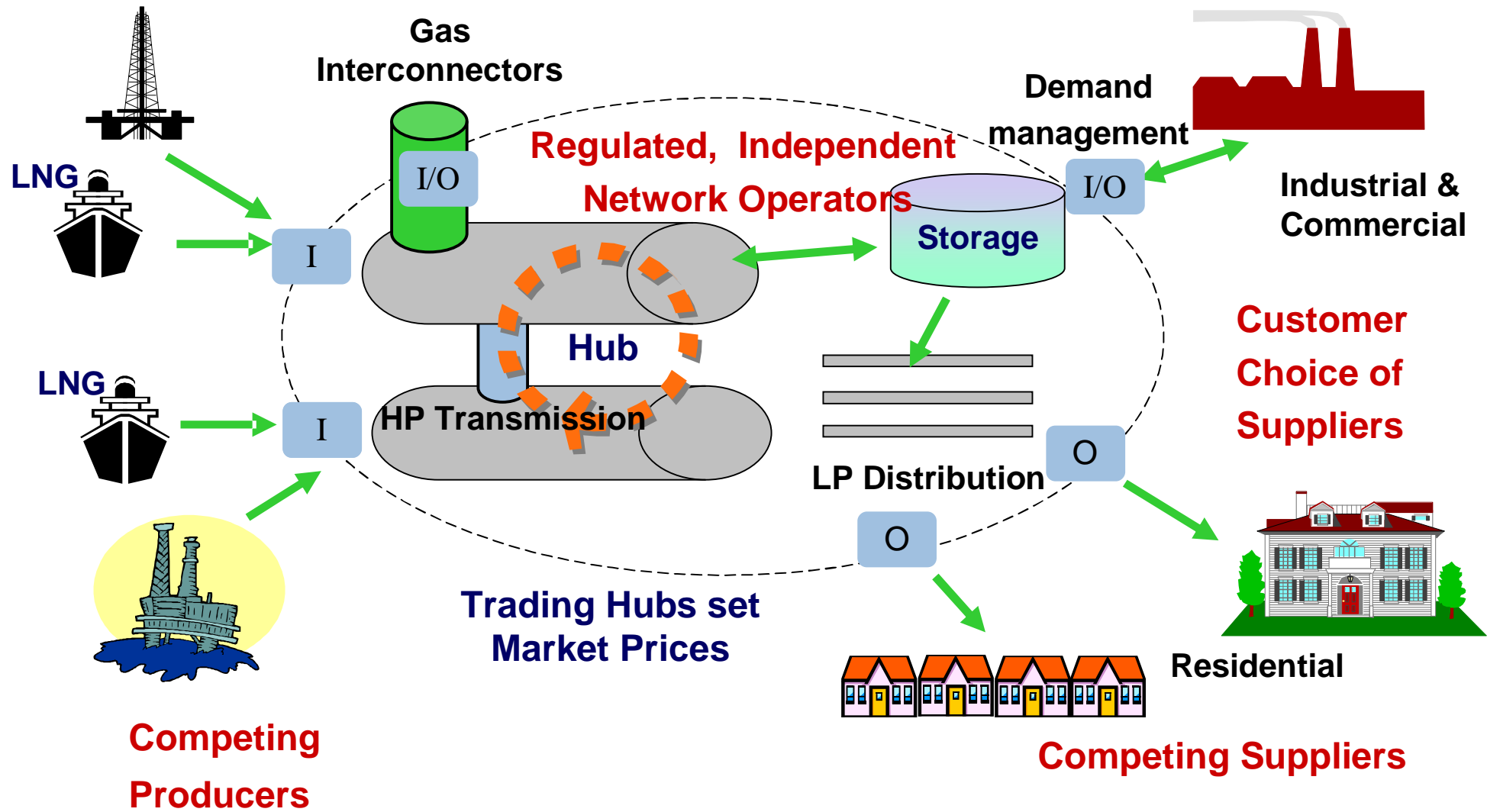
# **TRADERS' PRIMARY LNG CONCERN: To ensure there is fungibility with pipeline gas**

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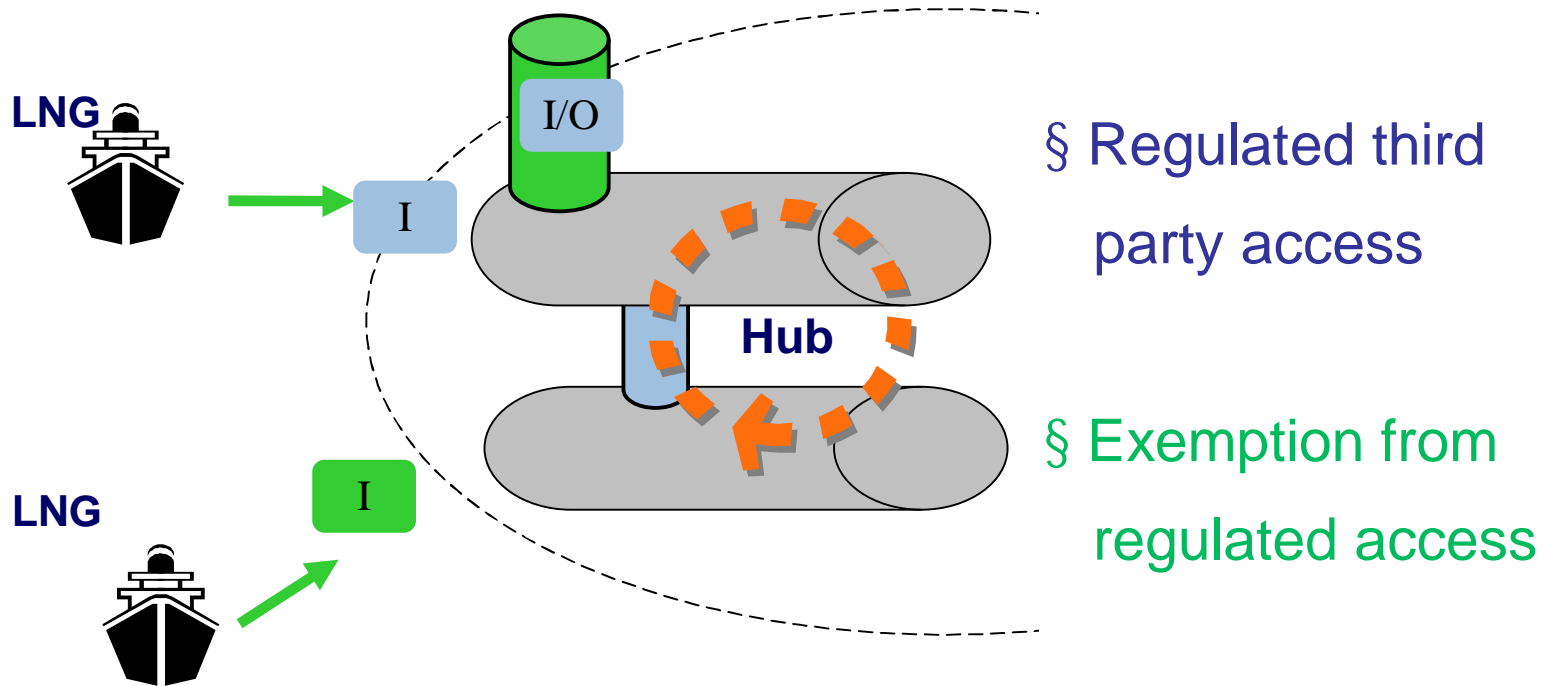
- § It should be possible to buy and sell LNG interchangeably with pipeline gas without any undue physical, commercial or legal barriers.**

# THE DEVELOPING EU GAS MARKET: Regulated infrastructure, traded supplies





# EUROPEAN LNG TERMINALS ARE REGULATED: but most new LNG terminals will be exempt



**“I consider that a derogation from the requirements of TPA should be the norm not the exception for new LNG terminals”** EU Energy Commissioner Andris Piebalgs (@23rd WGC June 2006)



# BIGGEST LNG INVESTMENTS ARE UPSTREAM: Downstream bottlenecks should be rare



***Production***



***Liquefaction***



***Shipping***

***90%***  
***of costs***



***Regasification***



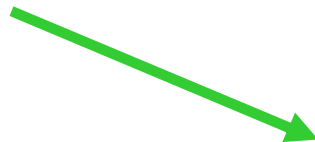
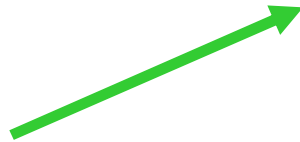
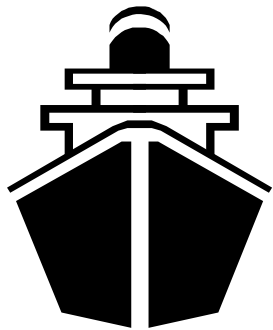
***Marketing &  
Trading***

***10%***  
***of costs***

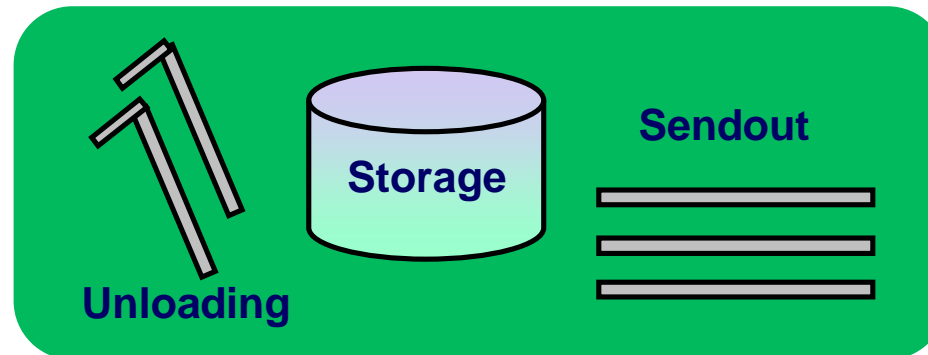
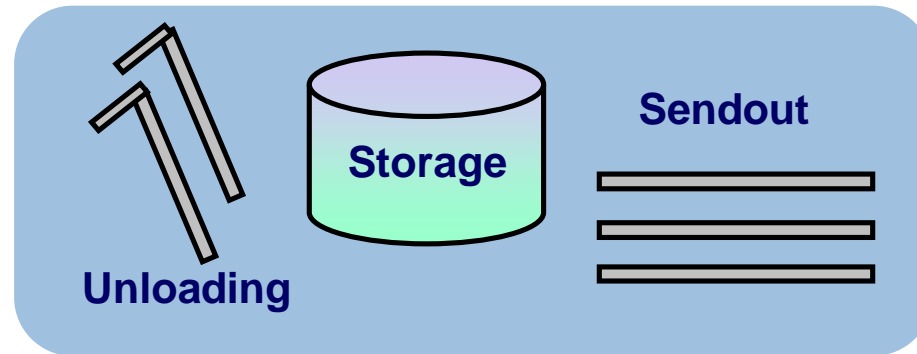
# THE LNG CHAIN USED TO LOCK IN CARGOES: Increasingly, suppliers (& buyers) have choices.



Regional choices  
across the globe



Choice of terminal  
within a region



# THE EU's DUAL REGIME: regulated and partially or fully exempt access creates several problems

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**Few are happy  
with the current  
Position:**

- § Regulators must fix or approve prices for some terminals
- § Operators face different regulatory requirements
- § Users must tackle different procedures and uncertainties
- § No clear economic signals for investment
- § Poor optimisation of assets
- § Distortions in the market result in inefficiencies and higher costs for consumers

# OLD SUPPLY CHAINS UNSURE: But market solutions will allow access regimes to converge

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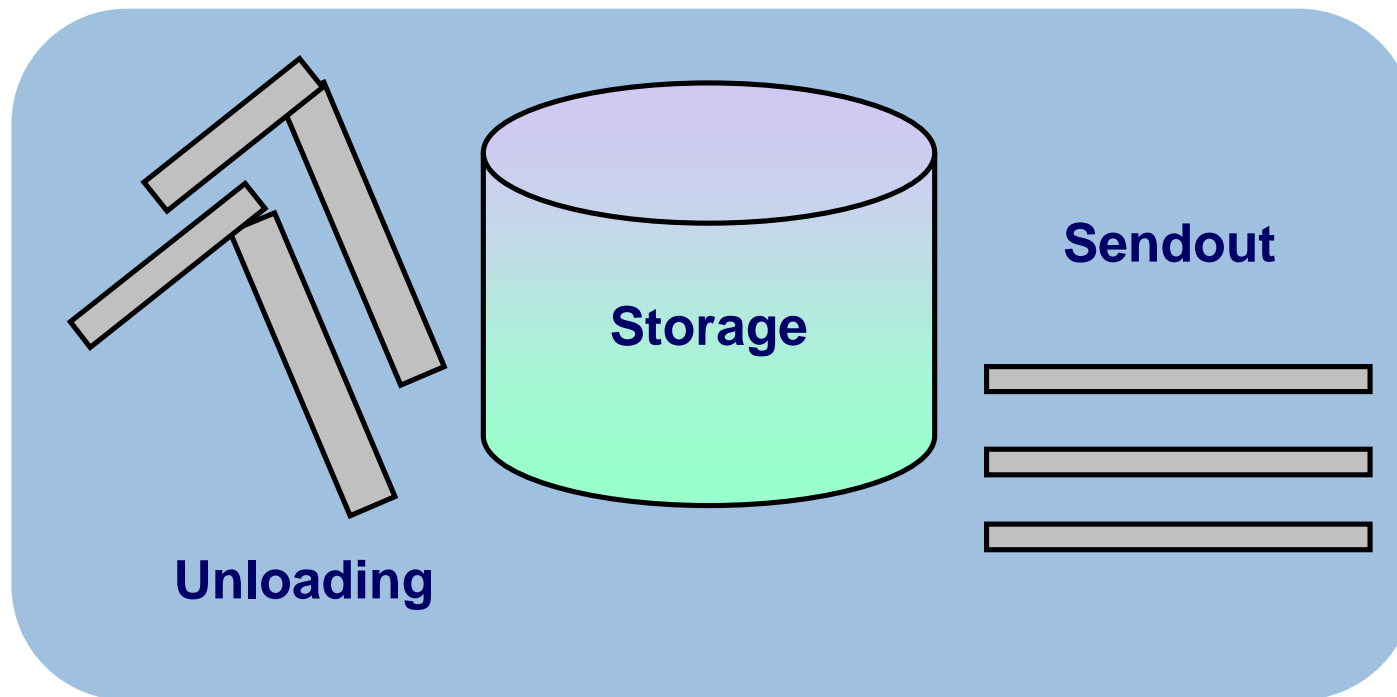


**Three common actions are a) improve information transparency b) use opportunities to sell capacity and c) harmonise business rules**

**Some basic requirements should be the same for regulated and unregulated LNG terminals**

- § Improved transparency – daily publication of aggregate use of terminal capacity
- § Operators aim to make available all unused capacity (at market prices)
- § Business rules should be harmonised to remove undue barriers to trade

# MARKET-BASED ALLOCATION: can develop as number of participants increases



**EU & US regas utilisation has been c.60% in recent years and may well fall in the future. Downstream market players can help to optimise and enhance the value of storage and sendout.**

# IN CONCLUSION: Market-based allocation brings wide benefits to most participants

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**Market pricing for unloading, storage and send-out capacity has wide benefits**

- § 'Regulated' terminals can use market prices
- § Operators of 'unregulated' terminals know the market value of their capacity
- § Users (upstream & downstream) access capacity at market prices
- § Better economic signals for investment
- § Better optimisation of assets
- § More efficient market resulting in lower costs for consumers



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**Thank you.  
Any Questions?**

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