Will US LNG lower prices in Europe?
- Experts debate if the U.S.’ LNG entry into Europe will lower prices

Experts debate whether the U.S.’ first shipment of LNG into the European energy market this week will affect gas prices.

The first LNG cargo, the Creole Spirit LNG tanker, from the U.S to Europe is expected to arrive on Tuesday, April 26 in Portugal.

Professor Jonathan Stern, chairman of the Natural Gas Research Program of the Oxford Institute for Energy Studies told Anadolu Agency that one single shipment of LNG from the U.S. will not make any difference.

“It has huge geopolitical symbolism but no real impact on either European or global markets. The importance of U.S. LNG for Europe has been massively over-hyped,” Stern said and added that this shipment will make very little difference until the big volumes start to arrive around 2018.

“The most important addition to LNG supplies in 2016 will come from Australia. These supplies will mean that existing LNG deliveries to Asia – probably from Qatar – will be diverted from Asia to Europe. This, and not U.S. LNG, is the big story of 2016,” Stern asserted.

The first of the U.S.’ LNG exports from Cheniere’s Sabine Pass facility in Louisiana is en route to Brazil, Meg Gentle, president of marketing at Cheniere, announced in March.

The Creole Spirit is the sixth LNG cargo exported by Cheniere and the first to arrive in Europe. The other five shipments went to Brazil, India and Argentina.

Cheniere’s Sabine Pass project was first to acquire an LNG export permit in the U.S. It was authorized in 2012 to export LNG up to the equivalent of 2.2 billion cubic feet (66 million cubic meters) per day of natural gas for a period of 20 years.

Erdal Tanas Karagol, director of Economics at the Ankara-based Foundation for Political, Economic and Social Research (SEFA) agreed with Stern and said the U.S. is an important natural gas producer along with Russia, Qatar and Iran.

“Trust in pipelines are becoming lower, and therefore importer countries are changing their direction to LNG, which makes the U.S. advantageous,” Karagol said.

He added that the U.S. is trying to establish a powerful position in the European LNG market in competition with Qatar, Australia, Russia and Algeria.

“LNG prices decreased significantly in the European and Asian markets between 2013 and 2016. Just the entrance of U.S. LNG into the European market won’t change prices like everybody expects. On the other hand, if demand increases, the U.S. alone won’t be able to create a falling price trend in the market,” Karagol said.
Richard Kauzlarich, the co-director at the Center for Energy Science and Policy at George Mason University said that the U.S. LNG cargo is one of a series of commissioning cargoes that Cheniere is shipping to the Western Hemisphere and now to Europe to check facilities and processes before starting commercial shipments.

"We still need to wait for the pattern of LNG export destinations to be established when more regular commercial shipments begin later this year. Thus it is too early to call this shipment to Europe a game changer. Traditional suppliers of gas to Europe [Norway, Russia and Qatar] are likely to react when significant U.S.-originated LNG exports begin showing up in Europe," Kauzlarich said.

He stressed that this is not commercial cargo but the shipment is devised to signal future competition.

Bogdan Janicki, senior advisor to Central Europe Energy Partners (CEEP) in Brussels stressed that the global gas market differs significantly from the oil market.

"If you compare the U.S. and the EU, there is not a huge gap in oil prices. Yet, in the gas market, the difference is more considerable, with prices at around $75 per 1,000 cubic meters in the U.S., and around $180 per 1,000 cubic meters in the EU," Janicki said.

Janicki also added that with the opening of the American LNG market, as well as additional trade potential with Iran and Australia, a price war is unavoidable.

"We can expect gas prices of around $150 per 1,000 cubic meters in the European market already by the end of the first half of this year. The level of further decrease depends mainly on how far the EU’s gas trade relationship with the U.S. will go. The final price will also be determined by further technological progress in liquefaction, transportation and regasification of the LNG," Janicki said.

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