First, participants in the research meeting shared the view that global and Asian LNG markets are undergoing major changes in which the factors affecting future prospects are very uncertain. As symbolized by remarkable drops in spot LNG prices for the Asian market and substantial falls in long-term LNG contract prices linked to lowering crude oil prices, the Asian LNG market is now seeing big waves of price drops and oversupply that are shaking market participants. While the changes have brought about LNG procurement price drops for buyers, they have difficulties in finding what would be the best future procurement strategy. Price drops have squeezed LNG sellers' earnings and made it difficult for them to invest in future supply.

In a more complicated manner, the present weak prices can discourage investment in the medium to long-term expansion of supply, contributing to tightening the future supply-demand balance in the future. A historical fact is that the supply-demand balance on commodity markets tightening and loosens cyclically. In the case of gas, however, substantial amount of additional investment is required for transportation and trading of gas. This means initial investment is very large for LNG supply projects. As a result, it can be argued that price falls can discourage such investment more strongly, making such discouragement cyclical. Wild, cyclical price fluctuations are not favorable both for sellers or buyers. They are problematic for the sound development of the LNG
Second, the participants agreed that the LNG market undergoing major changes is growing more flexible and liquid. Historical changes in other energy markets, including the oil market, have shown that international trade has grown more flexible and liquid gradually and steadily. The natural gas market has grown more flexible and liquid in the United States and the United Kingdom. Such change has been enhanced over recent years in continental Europe. Of global LNG trade, spot and short to medium-term trade, which had been exceptional in the past, now accounts for 30%. Spot trade alone might have reached some 10% of the total. In the future, U.S. LNG with supply flexibility will expand its presence in the market. In Asia, calls will grow for relaxing or eliminating the so-called destination clause for LNG trade. Japan and other major countries will liberalize or deregulate gas and electricity markets. These future developments will contribute to enhancing the flexibility and liquidity of the Asian LNG market.

Third, I would like to note that the abovementioned two points indicate the Asian LNG market is changing or in transition. At present, various uncertainties in the market make it difficult to specify where the transition is going, what the market will be like after the transition and how long the transition will take. A participant at the study meeting gave an interesting view that buyers may have to take a portfolio or diversification approach to address various potentials and risks in order to survive market competition. The diversification may target not only supply sources but also procurement processes including pricing methods, combinations of spot, short to medium-term and long-term contracts, and contract periods. How to respond to the changing market environment may represent a key survival strategy for sellers as well. The strategy may naturally include how to respond to buyers' strategies.

Another important common matter of interest at the study meeting was how to find win-win solutions for both producers and consumers in the Asian LNG market that is very uncertain. As a clean energy source backed by abundant resources and supply, LNG is greatly expected to play a more important role in future global and Asian energy mixes. What is required to realize the expectation is a common key challenge for LNG producers and consumers. Any great expectation could fail to be realized in the real energy market. Such failure may be understood as an actual problem, given the European situation where natural gas demand is seriously slack. Both producers and consumers in the Asian LNG market will be required to make their respective efforts to find solutions desirable for both.
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