

2019

LNG trading and optimisation



LNG-Worldwide Ltd 2019



LNG Trading and Optimisation

Designed for delegates who are not directly involved in spot and short-term trading and LNG cargo diversions but would find it useful to understand what the activities involve and how cargoes are traded and optimised.

Suitable for a group of up to 10 people

2 full days 7 hours with 3 breaks per day

Typical slide count: Day 1: 40-50 Day 2: 20-30 slides plus interactive exercises distributed as PDFs

The workshop objectives are

1. To understand LNG trading – what it is, players involved and current trends as the business matures
2. To understand the mechanics of LNG diversions, how to structure and negotiate them
3. To understand Master Sales Agreements and Confirmation notices
4. To practice trading an LNG cargo and optimising it for value (based on a real cargo diversion)

The "LNG Trading and Optimisation workshop" is designed for those who want to understand the underlying current dynamics in LNG trading, the trends towards more market liquidity and more dynamic pricing and trading of spot and short-term business

Real life examples will be used to illustrate how to trade LNG

The value of negotiating flexibility into agreements will be discussed to show how it creates and protects value

Key topics

- What is LNG trading and LNG optimisation of cargoes?
- Who are the various players, their activities and likely trends for the business 2019- 2025? Impact of USLNG
- Organisations and commercial models for trading using examples of NOCs, IOCs, Traders, utilities and banks.
- Trading in Europe: pricing at hubs and interface of LNG with pipeline gas in key downstream markets
- Role of pipeline gas in Europe and basis for which LNG competes
- Interplay between Asia and Europe for spot LNG trading and arbitrage opportunities
- Contractual MSAs – key features. Interactive negotiation of key elements
- LNG spot pricing trends, development of Hub pricing and liquidity to trade
- Identifying, measuring and managing LNG cargo trading risks
- Developing a Risk Matrix for Pavilion Energy
- Operational issues and an introduction to risk management for both physical risks and financial risks
- Developing an LNG risk register including:
 - Physical risks
 - Volume shortfall
 - Ship compliance
 - Product Quality
 - Scheduling
 - Force Majeure
 - Contractual Risks
 - Governing law
 - Contractual mismatches between purchase and sales contracts
 - Financial Risks
 - Pricing



- Credit
- Working capital

MEASURING RISK

- Profitability vs. impact analysis
- Risk matrix
- Assessing Tangible and intangible risks

MITIGATING RISK

- What are low probability/high impact risks that could impact your business?
- What does the risk matrix look like for your company?
- How much risk do you want to manage, how much should you lay off to other parties?
- What does your counterparties' risk matrix look like?
- For the risks you need to manage: -
 - What mitigants can you put in place?
 - Risk management instruments
 - Company portfolio
 - Fully integrated supply chain
 - Liquidity in downstream markets
 - Seasonal or structural risks vs. occasional single cargoes
 - trading controls, delegated authorities

EXERCISE: COMMERCIAL NEGOTIATIONS AROUND THE KEY POINTS OF THE MASTER SALES AGREEMENT

Participants are presented with six outstanding commercial issues to be negotiated to form the main commercial terms of an evergreen LNG Master Sales Agreement. There will be a buyer and a seller role. Participants are briefed and asked to negotiate constructively to reach agreements to conclude the MSA. Particular compromises need to be reached and the risk matrix approach will guide the participants as to the relative importance (to them, and their counterparty) of 6 key issues. Opportunity for role play in a real-life bilateral negotiation

EXERCISE: OPTIMISING SHORT-TERM LNG AGREEMENTS: THE LIFE OF A DIVERTIBLE LNG CARGO

This session demonstrates how to manage the operational and contractual options for a divertible LNG cargo, which is loading in a dynamic business environment.

This is based on an actual cargo experience. This interactive role-play in small groups allows participants to practice: -

- Assessing the risk / reward to divert the cargo from its original destination
- Managing the day-to-day cargo operational issues
- Responding to new opportunities that arise
- Balancing new risks and rewards
- Negotiating with various new counterparties along the LNG supply chain
- Managing relationships
- Monitoring expected profitability versus actual results