LPG Prices Today and Tomorrow
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LPG Prices Today and Tomorrow

• The main price markers for LPG in Asia
• The Saudi CP – what lies ahead?
• FEI and MOPS
• Belvieu pricing and its future impact in Asia
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The Various Price Markers for LPG in Asia

- **Saudi CP** monthly pricing for propane and butane set by Saudi Aramco.

- **FEI** daily pricing for propane and butane published by Argus.

- **MOPJ** daily pricing for naphtha published by Platt’s.

- **Belvieu** daily pricing for propane, n-butane, and isobutane published by OPIS.
The Saudi CP – What Lies Ahead?

• The CP (and its predecessors) have been the benchmark for LPG prices in Asia for more than thirty years.

• Although Saudi LPG exports have declined in recent years, other Middle East LPG suppliers with rising export volumes (such as Abu Dhabi and Qatar) price on CP.

• The CP remains the basis for LPG prices in Japan and Korea, two of the large LPG importers in Asia. India has no alternative to LPG for its import pricing.

• A conflict with Saudi LPG trading aspirations? No, on the basis of present set-up.

• Will FEI replace CP? No, when contract buyers need Middle East LPG and it is only available on a CP basis.

• Does Belvieu pricing pose a threat? Not at present because US-supplied LPG comprises only 5% of the Asian trading market now.
The Role for FEI and MOPJ

**FEI**

- FEI and the window has its supporters and its critics.
- FEI does offer present and forward prices on a daily trading basis (there is also a CP forward swaps market).
- But there are criticisms of the FEI butane price quotation and sometimes of trader influence on the prices reported.
- How good are the reported prices? On LNG, the new Japanese system of reported prices may give us some guidance.

**MOPJ**

- MOPJ became a more important LPG price marker in 2013 with the purchasing activity of FPC for LPG use versus naphtha in steam cracking in Taiwan.
- However, the new petrochemical use, particularly in China, will be as PDH feedstock. Here naphtha won’t be the benchmark.
Mont Belvieu LPG Pricing

- Mont Belvieu offers NGL trading on both a cash basis and via electronic screen.
- The main product traded is propane (TET and non-TET).
- The basis for this trading is the large salt dome cavern storage that is available at Mont Belvieu.
- Mont Belvieu pricing is the basis for US LPG export pricing (with the addition of terminal fee).

- US seaborne exports of LPG (mainly propane) are now significant. They exceeded nine million tons in 2013.
- However, domestic factors are more important in setting Belvieu propane prices.
- The industry watches the weekly trend in propane inventories closely.
- The mild winter of 2011-12 contributed to the subsequent fall in propane prices; the very cold weather this winter to the January price run-up.
Mont Belvieu and LPG Price Spreads

• The American shale gas revolution has helped create the gap between US and international gas and gas liquids prices.

• In gas this gap exists between Henry Hub gas prices and LNG prices in Europe and Asia.

• In NGL’s this gap exists between Mont Belvieu propane prices and CFR propane prices in Europe and Asia.

• So far, the resulting propane price spreads have resulted in a very profitable business for:
  - the terminal operator
  - the trader or lifter
  - and the shipowner.

• But not always.

• Spot trading prices can be volatile. The recent Belvieu price run-up squeezed margins. And some lifters delayed or cancelled lifting slots in February.
Belvieu vs. Asia and Europe

$/ton

Belvieu vs. Asia

Belvieu vs. Europe

Aug-13 Sep-13 Oct-13 Nov-13 Dec-13 Jan-14
Mont Belvieu Pricing and Its Impact on Asia

• A year ago at this conference we heard of the first Mont Belvieu priced contracts in Asia – those between Astomos and Japanese utility companies.

• These contracts have had no impact on Asian LPG prices – because these contract volumes have not been traded.

• When will Belvieu prices have an impact on Asian LPG prices?
  - when Belvieu propane is traded more in Asia
  - and when US propane constitutes a significant portion of the Asian trading market. In our forecast the US percentage will be:
    - 5% US in 2013
    - 14% US in 2015
    - 20% US in 2017
Mont Belvieu Pricing and Its Impact on Asia

How will LPG prices adjust to this new competition?

• We believe that Middle East LPG producers will adjust their prices to meet this competition (note that the competition and adjustment will be primarily in propane).

• The result will be lower prices for buyers.

• The result will also trim the margins and spreads for US propane in Asia.

What are the uncertainties?

  - will it be 20 or 30 million tons?

• Iran LPG export rebound
  - will it back out US LPG exports?

• The Panama Canal.
  - will there be a delay in completion of the current works and how might that effect trade to Asia?
  - what will be the resulting realistic steaming times between Houston and Asia?
Propane Costs and Margins
- US Gulf to Asia

$ per ton

- Potential trading margin
- Shipping cost/Canal fee
- USGC terminal fee

2013 2015 2017 2020
Thank you for your attention.