News : US LNG exports in Jan near record highs despite export uncertainty

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- January exports approaching record set in December
- Colder US weather may boost selling to domestic market

US LNG exports in January approached the record highs set last month despite spells of colder weather and uncertainty over the US government's LNG policies.

Exports climbed to 8.56 million mt as of Jan. 31, up 520,000 mt since the start of the Jan. 29 week, according to data from S&P Global Commodity Insights. This was around 97% of the levels seen last month which were the highest monthly exports ever recorded out of the US.

Of the total, 48% was headed to Europe, 10% to Asia, 5% to South America and 3% to North America, with the rest yet to be nominated.

Although exports fell month on month, they still landed near record highs. This comes at a time where colder weather spells are hitting parts of the US.

US LNG exporters canceled multiple cargoes over the past week as freezing temperatures disrupted operations at terminals and caused US spot gas prices to soar, creating an incentive for those who could sell gas back into the domestic market instead of exporting it as LNG to do so, according to market sources in the Atlantic Basin.

The bouts of freezing weather over the last few weeks had caused US natural gas prices to spike, pushing Henry Hub values above LNG prices on the US Gulf Coast and Northwest Europe.

Platts, part of S&P Global, assessed the Gulf Coast Marker for US FOB cargoes loading 30-60 days at $7.88/MMBtu Jan. 30, up 46 cents/MMBtu on the day. At the same time, the Northwest European LNG marker for March was assessed at $8.790/MMBtu, 47.3 cents/MMBtu higher. This put both LNG markers at just over a two-week high.

Platts assessed the US Henry Hub at $2.265/MMBtu on Jan. 30, cooling from a peak of $12.97/MMBtu Jan. 12, when it was assessed above the GCM and NWE markers.

Although colder weather is currently gripping the US market, the country is expected to return to milder temperatures in the coming weeks.

Freeport woes shrugged off

Although US exports remained healthy in January, Freeport LNG anticipates Train 3 at the Texas export terminal to be offline for about one month due to an electrical problem that affected the liquefaction unit during the recent cold snap in the US Gulf.

Sources were unsure of the impact yet, but expected it to “first impact shipping, [and]...continue to be bearish, especially when Asia continues to [be] silent,” one source said.

Atlantic-based traders suggested that the current length of the Freeport outage should have little impact due to high inventories and relatively weak demand from the residential and commercial sectors in Europe and Asia.

“US LNG exports for Jan. 1–28, 2024, were higher than for the same period in 2023, owing largely to the return of Freeport LNG to operation in February-March 2023 following an extended outage,” Anusha De Silva, director, and Theo Kassuga, LNG analyst, at S&P Global said in a report. “Freeport LNG has exported 1.1 million mt on a loaded basis so far in 2024, or 96% of its capacity on an annualized basis. Our latest forecast (which does not incorporate the current outage) assumes exports from the plant for the full year 2024 will total 14 million mt/year, or 92% of nameplate capacity.”

The pair added that by comparison, Freeport LNG’s utilization was 84% of capacity in 2023 after the facility resumed operations at its three trains in early 2023, following a shutdown of more than eight months owing to a fire at the plant in June 2022. Since the project’s third train started up in May 2020, Freeport LNG’s annual utilization peaked at 93% in 2021.

Geopolitical perspective

The market also continues to eye pressure over the decision of President Joe Biden's administration to halt new US LNG projects, amid a review of its LNG policies due to its climate impact, with S&P Global analysis highlighting the importance of US LNG to Europe in replacing lost Russian flows amid the ongoing Ukraine war.

"Thanks to its LNG exports, the United States was able to save Europe from Russia’s gas weapon," S&P Global Executive Director Laurent Ruseckas, Vice President Michael Stoppard and Director Anusha de Silva said in a report. "On the commercial side, with no expectation of Russian flows returning to 'normal' any time soon and the EU having made a (non-binding) political commitment to fully phase out Russian gas by 2027, a European scramble to secure medium-term LNG supply is underway."

The analysts added that with energy security now at center stage and US LNG regarded as extremely secure, European players are now seeking to secure long-term offtake of US LNG and thus underwrite the financing of new US liquefaction capacity.