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Contents

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LNG Trading – Part 2: Physical transformation

Spot LNG trading has grown rapidly in recent years but, at present, none of the few existing physical LNG marketplaces publish data on the going rate for an LNG cargo. Until now the most trusted available price benchmark for international LNG, the Japan-Korea Marker (JKM) has been compiled by Platts, a price reporting agency. However, commodity exchanges and a handful of technology developers plan to challenge the status quo by creating new means of buying and selling parcelled batches of LNG, as a partial or full cargo in a tanker, or as a unit as small as an ISO container.

In Part One of this series, LNG Business Review reviewed the role PRAs have played in creating price benchmarks and bringing them onto exchanges as tradable financial 'swaps'. In this piece, we explore plans by exchange giant CME Group to create the world's first LNG 'futures' and speak to companies building new online trading platforms for spot LNG for participants large and small. All three plan to publish free pricing data and produce their own price benchmarks.



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