Press Release

# LNG Exports and the Trade Deal

ALLISON EDWARDS | OCTOBER 26, 2020

The “Phase One” U.S.-China trade deal requires China to purchase over $50 billion in U.S. energy sources, including liquefied natural gas (LNG). Despite this trade deal, China has enacted tariffs on U.S. LNG exports, depressing demand and making it unlikely that China will purchase the agreed-upon amount of U.S. energy. The Trump Administration’s lack of follow-up negotiations to these tariffs suggests that U.S. LNG will continue to be at a disadvantage, despite China’s potential as a market, writes AAF’s Director of Energy Policy Ewelina Czapla.

An excerpt:

> A key issue with the Phase One deal is China’s continued imposition of tariffs. President Trump declared that the tariffs would be removed under Phase Two, but further negotiations are unlikely at this point. With the tariffs still in place, U.S. LNG producers continue to face loss of direct sales to China because of loopholes in the form of portfolio buyers and the spot market. A sizeable portion of U.S. LNG is purchased by portfolio buyers, companies with multiple sources of supply and multiple customers, who act as intermediaries. These portfolio buyers can swap out U.S.-origin cargoes for non-U.S. cargoes when selling to Chinese buyers. Then there is the spot market, which allows for purchase and immediate delivery through a short-term contract that reflects commodity values in real time, unlike long-term contracts with a U.S. LNG producer. China’s largest private importer, ENN Energy Holdings Ltd., indicated that it intends to increase spot purchases for the remainder of 2020 rather than entering into long-term supply contracts.

Read the analysis.