

China-Australia LNG trade in the context of the China-US trade war



1. In November 2018 Australia overtook Qatar to become the world's largest exporter of liquefied natural gas (LNG), loading 6.5 Mt of LNG compared with 6.2 Mt for Qatar.¹
2. Australia's LNG export revenue is forecast to increase from \$31 billion in 2017-18 to \$50 billion in 2018-19. This will make LNG Australia's second largest export commodity in 2018-2019, after iron ore at \$63.8 billion.²
3. In 2017 China overtook South Korea as the world's second largest LNG importer. In 2018 China imported 53.8 Mt of LNG, 41 percent higher than 2017.³
4. In 2018 China imported 23.45 Mt of LNG from Australia, 42 percent of the Australia's total LNG exports.⁴ This was up from 17.82 Mt and 31 percent in 2017.⁵
5. The majority of Australia-China LNG trade is likely to be protected from any promise by China to increase LNG imports from the US as part of a bilateral trade deal. This is because most (82 percent in 2017)⁶ Australian LNG is sold under long-term contracts, Sinopec holds a 25 percent interest in APLNG and CNOOC has 50 percent equity in Train 1 at QCLNG.⁷ The

This fact sheet was prepared by Xunpeng Shi, Principal Research Fellow, Australia-China Relations Institute, University of Technology Sydney.

Images credits (left to right): Shutterstock; The White House (Wikimedia Commons); Shutterstock

1 Jessica Jaganathan, 'Australia grabs world's biggest LNG exporter crown from Qatar in Nov,' Reuters, December 10 2018 <<https://www.reuters.com/article/us-australia-qatar-lng/australia-grabs-worlds-biggest-lng-exporter-crown-from-qatar-in-nov-idUSKBN10907N>>.
2 Australian Government Department of Industry, Innovation and Science, 'Resources and Energy Quarterly December 2018,' December 2018 <<https://publications.industry.gov.au/publications/resourcesandenergyquarterlydecember2018/documents/Resources-and-Energy-Quarterly-December-2018-Overview.pdf>>.

3 Chen Aizhu, 'China Dec (2018) LNG imports hit record 6.29 mln tonnes; 2018 imports up 41 pct,' Reuters, January 23 2019 <<https://www.reuters.com/article/china-economy-trade-lng/china-dec-lng-imports-hit-record-629-mln-tonnes-2018-imports-up-41-pct-idUSB9N1ZB003>>.
4 ICIS 安迅思, '2019年展望: 中国LNG进口量仍将保持高速增长 [2019 Outlook: China's LNG imports to maintain high growth rate],' January 28 2019 <<https://www.china5e.com/news/news-1050662-1.html>>.
5 International Group of Liquefied Natural Gas Importers (GIIGNL), GIIGNL 2018 Annual Report, 2018 <https://giignl.org/sites/default/files/PUBLIC_AREA/Publications/rapportannuel-2018pdf.pdf>.
6 Ibid.
7 Nathan Richardson, 'Record shipments to China drive Australia's LNG exports to second highest ever in Nov,' S&P Global Platts, December 6 2018 <<https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/120618-record-shipments-to-china-drive-australias-lng-exports-to-second-highest-ever-in-nov>>.

earliest expiry of Australia-China long-term contracts is 2031 (GDLNG).⁸

6. However, Australia's exports of LNG to China on the spot market are more vulnerable. In 2018 this totaled 4.3 Mt, 7.6 percent of Australia's total LNG exports.
7. Even long-term contracts still allow for some flexibility in delivery volumes. The take-or-pay level in LNG contracts is typically set at an average of 85 percent of the annual contract quantities.⁹
8. Another risk from a US-China deal is that Australian LNG will find it harder to be part of China's growth plans for LNG imports. In January 2019 China announced plans to increase its intake capacity of LNG four-fold over the next two decades: 34 coastal terminals with a combined annual import capacity of 247 million tons by 2035.¹⁰ The world total LNG trade in 2017 was only 289 Mt.¹¹
9. Growing US LNG supply to China will also put pressure on the Asian LNG spot prices for Australia's spot LNG exports, which account for 18 percent (10.1 Mt) of total Australian LNG exports in 2017.¹²

8 GIIGNL, GIIGNL 2018 Annual Report, 2018 <https://giignl.org/sites/default/files/PUBLIC_AREA/Publications/rapportannuel-2018pdf>.

9 Xunpeng Shi, Hari Malamakkavu Padinjare Variam and Jacqueline Tao, 'Global impact of uncertainties in China's gas market,' Energy Policy, 104:382-394, 2017.

10 Bloomberg News, 'China said to eye near fourfold jump in LNG import capacity', January 16 2019 <<https://news.bloombergtax.com/international-trade/china-said-to-eye-near-fourfold-jump-in-lng-import-capacity-2-1>>.

11 GIIGNL, GIIGNL 2018 Annual Report, 2018 <https://giignl.org/sites/default/files/PUBLIC_AREA/Publications/rapportannuel-2018pdf>.

12 Ibid.