JAPAN'S COMPETITION REGULATOR QUESTIONS LNG DESTINATION CLAUSES

Date: 14 September 2017

Liquefied Natural Gas Alert

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The Japan Fair Trade Commission ("JFTC"), Japan's competition regulator, recently published results of an investigation into destination restrictions in liquefied natural gas ("LNG") supply contracts. The results of the investigation were published in a report on June 28, 2017, entitled "Survey on LNG Trades (Chapter 4E Ensuring of Fair Competition in LNG Trades)" (the "Report"). [1]

JFTC appears to have undertaken the preparation of the Report in response to changing market conditions, where an increase in LNG supply (and suppliers) and the associated drop in prices could make inflexible long-term contracts unattractive to buyers, including in Japan, which consumed approximately 34% of the world's LNG in 2015. [2] The market view, however, is that Japanese buyers probably have contracted for LNG in excess of their needs in the short and medium term, making the enforceability of destination clauses of paramount relevance.

To read the full alert, click here.

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[1] http://www.jftc.go.jp/en/pressreleases/yearly-2017/June/170628.files/170628-2.pdf.
[2] IGU World LNG Report 2016.

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