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The consolidation of more and more LNG supplies in the hands of oil majors and a handful of trading houses risks raising barriers of entry for smaller players and could make LNG costlier for consumer buyers, market participants say.

The trend toward majors and big trading houses enhances capital efficiency and helps the LNG industry advance projects toward final investment decisions, but there is potential downside, too, sources at recent industry conferences in Singapore have pointed out.

LNG is traditionally marketed by liquefaction project developers directly to end-user customers, usually via a single joint-marketing venture that represents the LNG plant and its equity owners. This means the LNG contract signed will be between the buyer and the LNG plant itself. But such a marketing model is evolving to one where stakeholders or nonconsumer firms like trading houses take- all the volumes to sell. The stakeholders of LNG plants are mostly established portfolio firms, chiefly Western majors.

"We are seeing a consolidation of the market as very large portfolio players establish themselves as buyers as well as sellers," Australian independent Woodside's CEO Peter Coleman said at the **LNG Supplies for Asian Markets (LNGA) conference** on Wednesday (related). This has "provided impetus" for proposed LNG projects to be greenlighted, particularly as the current supply glut fades away, Coleman said (IOD Apr.6'18).

Examples of LNG projects recently sanctioned without significant contracts to third-party buyers include Royal Dutch Shell and Malaysian Petronas' LNG Canada, BP's Tortue floating LNG offshore West Africa's Mauritania and Senegal, and Exxon Mobil and Qatargas' Golden Pass LNG in the US (IOD Feb.6'19). "These large portfolio players can contract to take the volumes themselves and trade it through their networks," Coleman said.

But such consolidation of LNG volumes into the hands of big portfolio players could lead to increased costs for consumers, many of which are from Asia.

"I am concerned about the development of an oligopoly, where the big guys get bigger and bigger," said Vivek Chandra, chief executive of the independent Texas LNG project in the US. With equity owners increasingly responsible for the offtake of project volumes, "we are perpetuating the control of just a few big players [on LNG], especially outside the US," Chandra said at the LNGgc Asia conference last week.

LNG supplies contracted to nonconsumer portfolio and trading firms will invariably be resold at premiums to end-users, leading to increased costs, Chandra said. Even in the US, most consumer firms from Asia the world's largest LNG demand center are "conspicuously" absent from the most recent sale and purchase agreements (SPAs).

Just two US SPAs were signed by Asian enduser buyers - China's State-run PetroChina and Taiwan's state-controlled Chinese Petroleum Corp., both with Cheniere for 1.2 million tons per year and 2 million tons/yr, respectively since 2017. The rest were mostly signed by "middlemen firms," according to Chandra, who acknowledged that trading firms reselling volumes could give opportunities to customers without established credit reputations.

While the rise of large portfolio players has accelerated LNG project development, "other avenues are needed to ensure smaller buyers can still access the supply they need," Coleman said.

Singapore's state-run Pavilion Energy also harbors some fears about market consolidation of LNG supply into "very big portfolios."

"We share some of the concerns ... expressed in terms of market consolidation," group Chief Executive Frederic Barnaud said at LNGA. However, he said that midsized players like Pavilion can still grow, "not by controlling [LNG] volumes or businesses, but through partnership."

Pavilion can add value in such partnerships through infrastructure, marketing and optimization, Barnaud said.