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Commodities in Asia | Episode 5

He Yiyong, Founder & CEO, LNG Easy

We continue exploring *Commodities in Asia* this week with He Yiyong, Founder & CEO of LNG Easy. SmarterMarkets™ host David Greely welcomes He Yiyong into the studio to discuss the growing retail LNG markets of Asia – and how they differ from the natural gas markets of the U.S. and Europe.

He Yiyong (00s):

The pricing system is too complex. I think that is really the most difficult part in the area of retail LNG. Therefore, I think we need a unified system around the world, which is easily understood, and I would strongly suggest that this system is physically settled because then it kind of somehow reduces the volatility and makes it more user-friendly.

Announcer (25s):

Welcome to SmarterMarkets, a weekly podcast featuring the icons and entrepreneurs of technology, commodities, and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together we examine the questions: are we facing a crisis of information or a crisis of trust, and will building Smarter Markets be the antidote?

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David Greely (01m 06s):

Welcome back to Commodities in Asia on SmarterMarkets. I'm Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is He Yiyong, Founder and CEO of LNG Easy. We will be discussing the growing retail LNG markets of Asia and how they differ from the natural gas markets of the US and Europe. Hello He Yiyong, welcome to SmarterMarkets.

He Yiyong (01m 29s):

Thank you for inviting me.

David Greely (01m 30s):

Absolutely. I'm really glad you could be with us here today and part of that is because one of the themes that keeps coming up on this podcast series is that simply assuming that the commodity markets in Asia work the same way that they do in the US and Europe is often very misguided and you founded your company LNG Easy to service an LNG market that's very different from a typical Western natural gas market and I wanted to start off today asking you what do you see as the most important differences between the Asian LNG market that you are servicing and the natural gas markets that many of us may be more familiar with?

He Yiyong (02m 12s):

Right. So to, I think to start with natural gas market in US and Europe I would characterize them as regulated utilities in the beginning, you know, with the price control and all that and obviously it became fully liberalized later, but it is still a pipeline network market with very little liquid, you know, in the system. Liquid meaning LNG in liquid form, so that's kind of the main difference and then we had the second wave which is the, the Japan, Korea, Taiwan, you know, Japan in the early seventies, they did deals with Indonesia to buy LNG on a long-term basis, mainly for power generation. So the logic is still that, you know, LNG would be reified upon arrival in Japan and then they would distribute it wide pipeline network to either, you know, refinery or power plant.

He Yiyong (03m 14s):

I think, you know Japan, Korea, Taiwan, Singapore has this model basically, you know, and then China came along and I think, you know, the Chinese created a very different model in the sense that, you know, the importers the market makers like PetroChina, Sinopec, they sign up long-term pay contracts like the traditional LNG model, pontoon, but they found out that actually the power plants in China do not accept that pass flow risk. So the power plant in China are still saying that, okay, I cannot gas, I cannot coal, it's a price driven. So basically you know, the line of sight that you have in a traditional LNG market does not really exist in China and therefore the market makers like PetroChina and Sinopec started to think maybe we should generate a alternative market and then

they created the retail market because if you look at the beginning of retail LNG, the Sinopec, the Petro China, they really play a big role.

He Yiyong (04m 15s):

You know, they start to have LNG fuel buses, LNG fuel trucks, they start to invest in LNG refueling stations to provide fuel to the, the vehicles. So that's one thing and the other thing is that China is very big landmarks of the whole of Europe and in the beginning pipeline network is not well spread out. So there is a lot of corners where, you know, you need to reach by LNG. So therefore, you know, they start to, you know, develop the trucking LNG market where, you know, it can reach, you know, customers all around the country and then they had, they start to invest in gas and all that. So this is kind of a kind of little well cap secret in the LNG business and people are selling, you know, a lot of LG to China, but they don't really know what China is using the LNG for and going forward I think, you know, if we are talking about the population in Asia, Pakistan with 250 million people, Bangladesh with 170 million people with now with a 100 million, you know Philippines, a 100 million, Indonesia, 260, you know, the question is whether pipeline gas or truck LNG will become a natural, you know a way of things and I picked a truck LNG anytime, so, you know, is that okay for a summary for you?

David Greely (05m 41s):

Oh, absolutely and I'm really fascinated with the idea of the, the truck LNG market, you know, when it ultimately gets to the consumers, what is this LNG being used for?

He Yiyong (05m 51s):

Yeah. You know, very good question, right. So traditionally, you know, under the regulated utility model, LNG is used as a primary energy, you know, so you give it to a power plant to make electricity, which reach the customer and then you give it to a refinery or, you know, fertilizer plant which makes other end product, you know, which would be bought by the farmers, for example, but, you know, that is not really the retail LG model because, you know, LNGs, you know, don't forget, LG is very different from a pricing point of view because natural gas all across the group had the price, price range of let's say zero to \$3, zero, meaning there's no outlet, you know, no pipeline. So people are flaring it. So maybe even negative value, but then, you know, when there's a pipeline, it can kind of be get distributed.

He Yiyong (06m 45s):

But you know, it's still very much determined by local governments such as Pakistan, Bangladesh, India Indonesia, they decide what the gas will be, the cost will be. And then in the United States, in and Europe, it's decided by regional gas hubs such as, you know, Henry Hub and DTF but LNG is totally different, right, pricing wise, because it's, you know, in international market there's RV charge whenever there's a off window opening, you know, you can ship it crisscross the, the world on a ship. So different pricing, different supply chain, and then, you know, different way of distribution because pipe LG is easy, you know, you just had a pipeline connection but when it comes to truck LNG and all liquid form of LNG consumption, you need a regas station at the end. So as long as you build a lot of these regas stations and refueling stations, that is the ecosystem with a lot of trucks. That is the ecosystem where a retail LNG can play a big role.

David Greely (07m 48s):

Right. And it's interesting when I hear you talk about this use of LNG in China and some of the neighboring countries, and the truck element in particular, it kind of reminds me of the heating well market in the United States more than the natural gas market, in that it's a market driven by the need for local distribution in the absence of, of a pipeline network and I'm curious, could you go into a little bit, what sort of technology and infrastructure do you need to transport store and deliver LNG within this type of a market?

He Yiyong (08m 20s):

Right. sure. So I think you're absolutely right. You know, the, the heating oil market in the US or diesel market is a liquid fuel market, secondary fuel. So it's different from the primary energy use of LNG like Japan, where LNG just a form of transportation. It doesn't really serve more purpose than that, but you know, LNG is the distributed and it can reach all corners of the country. So basically you need a lot of truck fueling points. So if you go to the Chinese receiving terminals, you know, they would have 200 ponds, you know, massive, massive truck fueling stations. So, you know, thousands of trucks can load from the terminals and for example, the one Intenchin run by Sinopec, you know, I think that has the most truck fueling base, 200 of them that's on the receiving terminal site.

He Yiyong (09m 13s):

And also there are a lot of remote liquid affection plants in China, because, you know, they're in the north west northeast and, and so on. So, you know, how do they get to market by trucking so, you know, again, this local liquid affection plants have a lot of truck fueling base, so that's on the supply side. And then you obviously transport by row. And there, there are two kind of tools, right. One is the row tankers, which is inferior in, in a sense because there's a boil of issues and all that and then you have the ISO containers, which you know, can hold the LNG up to 120 days. So you really don't have a boil of gas issue. So that's the kind of a transport medium. And then on the consumption side, you had the local storage tanks, reification equipment, and so on and so forth. So that's a, a system of regas stations and then for the trucking fleet there, there's a system of refueling LNG refueling stations along the highways. So these are the technology, if you like.

David Greely (10m 20s):

And it's pretty surprising, you mentioned when it's transported in these iso containers, it can be in there for 120 days. That seems like a very long time for LNG.

He Yiyong (10m 30s):

Yes, because it's designed to, with hope pressure. So it is the, there's also important for the reason of reducing methane sleep, right. So when you have a container, which leaks, I mean, after 10 days is no good, right, but 120 days is a very long time to, for anybody to figure out a complete utilization of the meth without any concerns on sleeping.

David Greely (10m 53s):

And you had mentioned earlier, you know, the important point that relative to the United States and some other countries where natural gas is relatively inexpensive, LNG and Asia, it's still fairly expensive, you know, from \$16 an MMBTU or more, and that's the international price. Domestically, as you said, it's regulated. How does that relative cost of LNG impact how it's being used domestically in these markets?

He Yiyong (11m 22s):

I think, you know, that kind of actually encouraged the use of LNG as a secondary fuel because as primary fuel, you know, United States has been able to reduce the carbon emission by billions of tons because of coal to gas conversion. You know, since 2011, I think more than a 100 coal plants in in the United States have converted, right, but that's free \$2. So you mentioned \$16. So \$16 is eight times two or five times three. So it is a luxury for many developing countries, you know, so that being said, so on, as a power generation feel, the natural competition is coal and renewable, and both are cheaper than LNG, then, you know, I think basically a lot of analysts kind of are not yet realizing that the LNG can ha has become saturated in developed mature markets. For example, Japan used to be the biggest importer, but they're reducing and reducing and reducing, you know, many reasons, right?

He Yiyong (12m 24s):

So one of the key reasons is nuclear plant restarting, right. So, you know, they are, you know, they had 33 nuclear plants, they only started 12. So there's kind of long way to go. So mature markets like that is not it's kind of somehow saturated. If you look at the consumption pattern in Europe, gas is really come, you know, coming down, you know, on a month by month basis throughout this year. So LNG is expensive for developing country to use it as a power generation field, but as a secondary field, there's no problem, right because diesel, you know, again, you study around the globe, diesel is about let's say 28 to 30% of brand, you know, worldwide. It clears the market. And then heavy fuel oil is 22 to 23%, you know, LPG is 19 20%. So instead of consuming the LNG and hopefully a 12% brand, which is not possible, then use the LNG in the retail side as a liquid fuel replacement is a better business for many countries. So that therefore, you know, I think retail, LNG as a liquid fuel replacement is the growth market going forward.

David Greely (13m 39s):

And as a liquid fuel replacement, where's it being used in transportation? What are some of the other uses for it?

He Yiyong (13m 44s):

Yeah, yeah. So I mean, let's look at the example of China, right you know, they, they, China is 360 to five PCM market, about 260 million tons of LNG equivalent. About 30% of that is LNG, both from being ports and domestically perfection, 70% is pipeline. So that 30% LNG, it goes to a very small part for pig shaving power generation, you know, in the rich provinces of Guangdong and Xietian they have some big saving plants, small ones, 200 megawatt and so on. Very small in Chinese standards. But you know, it, it can be a huge plan for the Jamaica, right but you know, China is all, everything is in gigawatt terms. So 200 megawatt fig saving is very small. So that's a tiny part

and then, you know, you have the industries, that's the kind of main part because like I said, the distributed enterprises, you know, like I'm running a, a ceramic factory, a grass factory, I need boilers for whatever so furnaces and boilers, that's gonna kind of a very good market, you know, off grid market.

He Yiyong (14m 51s):

And then they use it for a domestic sector, meaning what they call city gas in China. So basically, you know, for example, the city of Beijing, they had winter consumption, seven times summer consumption. So the pipelines in Beijing cannot size according to winter needs, you know, diameter at capacity and all that. So it's kind of summer plus something and then what do they do in the winter. They use LNG to inject into pipeline. So as a pig shaving measure. So that's and then also in the domestic sector, you know, distributed guys, you know, like a ruler village, some remote area, no pipeline. They used to use coal for to make a boiler for, you know, space heating and so on. Now they can use LNG on the ISO container outside the village and then all the village is connected by mini grid, you know, so everybody can use for heating and and cooking and finally transport.

He Yiyong (15m 47s):

I mean, China has 500,000 LNG fuel trucks, heavy trucks, and about 300,000 buses, which are driven by LNG. So that's a 12 million ton market, LNG. So, you know, and that's a unique market because you can't really serve it by pipeline. That's a really hardcore LNG market. So these are the area where the LNGs are using and if you look at Pakistan, Bangladesh, Philippines, Vietnam, Myanmar, it would be a copy of all I just said, you know, except for example, in Vietnam, you don't need space hitting, you know, it is all very obvious, right, so, but they need more for industries because the national power grid in Vietnam is very weak. Connectivity is weak. There's a lot of containment breakouts, burn outs. So it makes sense to do distributed power generation based on LNG, just like in a similar fashion where in Africa, a lot of people are doing distributed power generation using diesel, you know, but it would be you know, one of those categories that, that I just mentioned.

David Greely (16m 52s):

Right and I wanted to ask you, you had mentioned earlier the major energy companies in China bringing LNG in, and then potentially in the domestic market, the price being more regulated and then, you know, often fuels trading as a percent of Brent and I'm curious, like in addition to the price level itself, how do you see the current pricing mechanisms and the available pricing instruments, the benchmarks affecting the performance of the LNG market in Asia?

He Yiyong (17m 21s):

Yeah, so I mean, the evolution of pricing mechanism, right. I think, you know, in France in the early 50s, you know, when they've had first LNG, they, they're trying to do a, a liquid fuel, actually liquid fuel, gas substitution, you know, import and then, you know, they try to price it by gas. So that's a good, and then the Japanese system is JCCA cocktail of grew import into Japan and then the long-term taxation. So that's I think it serve its purpose. You know, I would call that LNG point-to-point interlocking contracts throughout the supply chain. Everything is locked interlocking. So, and then we, we are in the area of new LNG meaning, and in addition to that point-to-point system, maybe we have 40, 45%, which has spot driven, you know, no contracts, shipping is, you know, through it, everything is based on up arbitrage window.

He Yiyong (18m 14s):

So new LNG is addition to the old LNG model, just with 40, 45% spot element, it's more flexibility. But then it also adds compressive because we had the, like JKM for example, you know, is supposedly a LNG price index rather than HH and you know, Henry Hub and TTF, which are basically regional gas hub prices and then you have long-term oil indexation. So I mean, that also can work. Only criticism is that liquidity is very low and also it is not physically settled because, you know, as I'd mentioned, the Chinese truck, LG, the market, 28 to 30 million tons a year, they are loading about 4,000 trucks a day. One, you know, 75,000 ton per you know, one whole ship per day is being loaded and distributed in China. That's a very liquid market, one ship a day, you know, can you imagine, you know, that, that, that's a very, very big, but, you know, I think JKM is a fraction of that.

He Yiyong (19m 15s):

So that's one, number one and number two, you know, the, the financial settle, the mechanism, I think it's prom more prone to speculation because you can express your opinion without a lot of consequences and LNG is not an easy commodity to deal with. I mean, as you know, because of the boil of storage issues and all that. So that's, you know, new LNG and then if you are moving from new LNG to retail, LG meaning how the small customers in all over Asia, all in Africa, in the Latin America without a billion dollar terminal, they want to use LNG. I mean, now the problem really arises, right. So, and, and LNG, basically our mission is to make it

available, breaking it into bio, physically technology-wise, that's possible because we have done it we don't need a terminal to import LNG, you know, very big regas terminal.

He Yiyong (20m 09s):

So shipping is available, all that is available. But the pricing system is too complex because if you are, you imagine I'm a 20 megawatt power plant sitting in an island in the Philippines, I'm using diesel at the moment. The only thing I need to know isms in Singapore because I buy diesel ATMs price and then, you know, plus the shipping and then plus some low-code logistics, that's my cost easy. And then I can negotiate with the government for people pass through and all that because it's kind of a much less volatile. Now if I'm that same owner or 20 megawatt power plant, I want to change to LNG, oh, I heard is cleaner, lower emissions, blah, blah, blah, and cheaper at times but then I need to understand, oh, you know, should I price it according to HH or TTF or JM or long term or com indexation.

He Yiyong (21m 04s):

And then maybe oil taxation is not available until the year after. And then, you know, everybody insists to sell me JKM, but JKMI know was \$80 and you know, it would bankrupt me if I buy \$80 or if I pass it through the government, it will bankrupt my government, you know, a, a field which is worth eight, \$10, suddenly it became \$80 for, you know, to think about it, right? So I think that is really the most difficult part in the area of re retail LNG. Therefore I think we need a unified system around the world, which is easily understood. And I would strongly suggest that this system is physically settled because then it kind of somehow reduces the volatility and make it more user friendly, if you like.

David Greely (21m 58s):

And I wanted to ask you another question. You know, about the pricing. You had mentioned, you know, things go to \$80 bankrupt countries, bankrupt companies. When you think about kind of the price points, one of the interesting things in natural gas is always you hit certain price points and consumers will switch from one fuel source to another. So in the US maybe switch from coal to gas or vice versa, you know, are there certain prices that are important for the domestic market like if the price goes above a certain level, you tend to expect to see certain consequences, certain switching, certain curtailment of buying LNG?

He Yiyong (22m 35s):

Yeah, very, very good question, David. So I think, you know, you kind of can rank the countries in terms of their ability to switch and I think, you know, true energy security comes from that. It doesn't come from a long-term contract because I mean, as you know, if you sign a long-term contract with certain exporters in the United States, you know, one day outage, two maybe, you know, they may not really fulfill the contract, right? So, so, you know, I think, you know, in in, in Europe it's apparent that 2022, the ability to switch to switch is limited and then you go to Pakistan, gas country gas is 44% in primary energy supply. Again, how do they switch because I had to shut down like 44% of my economy if I, so, but if you go to China, they had a very, a lot of depths in the energy system.

He Yiyong (23m 30s):

They had hydro, they had nuclear, they had everything under the sun. They had pipeline gas, pipeline gas in import, they had LNG, they had coal, they had renewable. That system is solid, you know, that's why, you know, in 2020 they fare very well, you know, and they divert most of the energy LNG to Europe and make big bucks for it, right and then you go to Bangladesh, again, limited ability to switch because it was a gas country, India, always big ability to switch because for them it was 6% gas anyway and then they're so cost conscious. So if it's like more than \$8, India stopped, stopped buying. So India for a very long time, and it still is now is a buyer for distress cargoes on ships. So different country had different ability to switch. At the moment. Singapore, we can't switch.

He Yiyong (24m 25s):

I mean we are 95% on gas. So I mean luckily we are rich, so you know, it's kind of a, that helps a bit, right? But you know, if you are a Vietnam, you had against certain ability to switch, Thailand is very low on the list because they are, it's a, a country heavily relying on gas to power and then when the domestic gas is depleting, they have to import LG and they have to buy because it takes time to build up the ability to switch to diesel soil, to heavy fuel oil to coal or for renewable and all that. So it would happen. and that's my fear actually, David, the volatility in LNG is costing countries to invest in their ability to switch, which is really not good for the long-term growth of LNG that I think everybody should pay attention to in our industry. We should not look at supplying LNG as a trading activity where you maximize every cargo. I really hope that people can think long term because we have invested as a, collectively as planet earth, huge amount of liquid, liquid affection capacity in the United States. It's the biggest one and then Qatar has this, you know, north fuel expansion and all that. There's a lot to come. I think we should have, you know, really try to reduce the volatility all of us.

David Greely (25m 47s):

I want to come back to that point a bit, but I wanted to ask you, you know, you've laid out so many interesting facets and features of the, the gas market, the LNG market in Asia and the way it differs from what, you know, someone coming from a US or European perspective might think a natural gas market should look like and I'm curious, when you listen to US or European analysts discuss LNG in Asia, what do you think they get wrong and what do you think they need to understand better about these differences in the market and how those differences affect how LNG prices behave in Asia?

He Yiyong (26:24):

Well, I think, you know, maybe they're not wrong. It's just that, you know, our thinking had to, you know, had to evolve like everything else. I think a lot of European analysts come from a gas background and that's what they know and you know, they, they're mostly concerned about how TTF is behaving and they don't really pay much attention to the you know, the arbitrage and all that that is exists in LNG. So it's kind of parochial and you know, if you take that parochial, well, we ought to and impose super impose it on LNG. I don't think it works so well that's one and then there is the second issue could be that I think under new LNG portfolio trading has become a norm rather than the exception because in LNG, there's only supplying is Bonton supplying. Japan is in supplying China 20 year contract lock in shipping everything new LNG.

He Yiyong (27m 21s):

Most of the portfolio guys, they make a lot of money. So I think, you know, there's a tendency to disregard country knowledge. You know what I told you why Thailand has little ability to switch because it's a gas to power, you know, very heavy gas to power country but why China can say no to expensive LNG above their truck, LNG price, they would stop buying and they don't care. You know, you can go to \$200, they just ship everything to Europe, they're fine. This is country knowledge and I think, you know, in every product we market, you know, whether you are pro gamble or something like that, country large is important and you had to make a penetration pricing penetration strategy. But what I observe in LNG is that everybody say, okay, you know, if you are buyer KYC where you had the credit line, I will sell to you.

He Yiyong (28m 13s):

So I don't really care what goes on in Bangladesh. I don't care what goes on in Pakistan, I don't care what goes on China Philippines, Vietnam. And I think that is not how it will be done in the future, really, because in the retail LNG era, you need a lot of country knowledge. So I'm just saying, you know, maybe supplying trading, and then we had the brick bulk, you know, so corresponding to O LNG, new LNG and retail LNG in the brick bulk area, we need much more knowledge on country level, what works, what doesn't, and so on. So I think, you know, maybe this is where all our colleagues can improve together.

David Greely (28m 54s):

And I wanted to come back to the, the point on volatility because there's reducing overall volatility, and then there's also giving people the tools to manage volatility. Like you often see in derivatives markets, futures options. To what extent are those tools available to help people in the retail LNG market manage their risk?

He Yiyong (29m 16s):

I think the cost is too high. You know, for, for the big participants, they of course they can do AJKM and TTF, I mean, and of course a lot of people trade HH as well. HH is not so relevant for LNG. So you know, TTF, because it's an arbitrage within TDF and JCA that decides the trade flow, a marginal trade flow. I think these markets are, there's quite a bit of liquidity no doubt, but maybe a little bit. I would even say excessive. I mean, so I'm sometimes contrarian not on purpose, but it become like that. So David, let me ask you, you know, we had a unique situation where we had a 100% percent fullness in underground gas storage in Europe today, a lot of floating storage in Europe, which is burning boil of gas every day. So kind of wasteful environmental, not so friendly, but the floating storage is, is building up.

He Yiyong (30m 10s):

And then you had on the other hand, countries in Asia waiting to pull the trigger because they're waiting for price to fall, but prices is not falling with now, for example, they install the you know online terminal, they imported one cargo and they have been waiting since because \$16 is too much for them, you know, so, and, and the Philippines, likewise, you know, they want to pay 10 cents power in Uzon. They don't want to pay 30 cents like we had in Singapore. So how do you buy LG at \$16 and make the power in 10 cents I mean, just doesn't make up. So we had a situation where cost storage is full, full, like this. Full, yeah, floating storage is costly and difficult

unlike crew because in crew there's a lot of storage available tank farms around the world, and then you can just pick up AVLCC, fill it up, and then, you know, she can sit there for half a year without any problem, right.

He Yiyong (31m 06s):

But LNG you can't do that with a buy off, right. So extreme difficulty in managing the storage, no third party storage, and then the in-country storage are full, but price is still so far above marginal cost. Why, tell me why marginal cost is easy. You, United States is Henry, we have \$3 plus \$3 liquid affection, plus shipping, so seven, \$8 marginal cost. Now we are double. So if you study economics, you know, we had perfectly competitive market and then you had monopolistic market. I think LNG today in terms of market structure is closer to monopolistic market. So maybe I do not answer your question in terms of hedging. I'm just saying there's something to be desired where, you know, we need to bring supply and demand closer to a perfectly competitive market. So LNG can really grow naturally. Hedging is important for new LNG players, all the big Japanese utilities, PetroChina, Shell, you know, big players but in the era of retail, LNG, you know, the new buyers and all that, I mean, it's not on their mind. They just want a commodity, which is very good, all run, but a lot of price volatility and lot of complexity to understand. So how do we go to that level that's, I think, the big challenge for all of us.

David Greely (32m 33s):

Yeah, and it sounds like, you know, what you're finding is that the pricing in Asia that's out there might not be reflective of what you're seeing in the physical market in terms of supply demand balances.

He Yiyong (32m 45s):

Absolutely. Right.

David Greely (32m 45s):

And it's trying to understand why that's happening and I'm curious, like when you look at the current LNG market, you, you mentioned problems and volatility, problems in, you know, trying to reconcile prices with supply demand balances. You know, if you were to look and say the future of LNG in Asia is gonna be driven to a large extent by retail LNG, what sort of pricing system do you think that market needs to grow and scale?

He Yiyong (33m 12s):

Yeah, again, very good question. So I think, you know, basically, you know, two things. One is I think, you know, if we, if people can give us LPG index price, it would solve a lot of the problems in the retail sector because LPG is the cheapest liquid fuel, you know, LPG, and then you had heavy fuel oil, and then you had diesel, diesel being the most expensive. So, you know, if people give me that, you know, I'm totally fine, and maybe it sounds kind of ridiculous at the moment. But I remember, I do remember in 2019 when LG price was very low, JKM was less than \$2 in the beginning of the year, people are willing to discuss co indexation, you know, all kind of different things. So I, hope all the, you know, our friends in the big portfolio playing players, suppliers, they can consider LPG indexation. So I think that would solve a lot of problem. And then LPG is easy to understand. It's CP driven, so you know, it's we don't have four, four things to worry about. It's only one. So easy. The, the other thing is absent of which we can do a, a, a ship LNG base physical index, I think that would be a very good thing for the, for the market.

David Greely (34m 25s):

And looking out, you know, just as we wrap up, I really appreciate this deep dive you've given us into the Asian retail LNG market and how it's connecting. When you look out to the future, how do you see that retail LNG market connecting with the global LNG market and the natural gas markets that we're all more accustomed to on, on the side of the globe?

He Yiyong (34m 47s):

I mean, you know, they are in China, you know, the market makers like PetroChina, they created this retail LNG market. It is not new technology wise because their truck, LNG in United States, Tesla is using LNG for their space rocket launching centers. They some tracking in Europe and all that, but never as a business status of such scale and also as a business in itself. So I think, you know, the, you know, how do we, you know, we have OLNG and retail, LNG, I would suggest that the market pay more attention to demand creation because we had a lot of investment on supply generation already. You know, Warren Buffet in invested, you know, in, in perfection plan and then you'll see Saudi Aramco, you know, trying to, you know, invest in min ocean, I think it is you know, which is kind of buying a portfolio of liquid affection assets.

He Yiyong (35m 47s):

That's all fine, very good. You know, you make sure that there is supply and then where is the demand and then the traditional mature markets like Japan and China, Japan is not growing. Korea is barely growing. Singapore is growing, but we are a very small market, you know, so China would not grow double digit, which they have in the past you know, 15 years. So China would go to go to a 5% growth era for a period of time before renewable take charge and then, you know, the, the demand in China, I think, will subside. I'm of the opinion that this would happen the most faster than most analysts go. So the market for the marginal in capacity that we had added in the past two years until 2030 is developing Asia and then, you know, we need to invest in demand generation.

He Yiyong (36m 38s):

You know, the infrastructure that we spoke about, the trucks, the ISO containers, the regas stations, the refueling stations, then we can use a lot of LNG. Every country we, we go to, you know, like Pakistan and all that, I think they had input, they, they import more than 10 million tons of liquid fuel. You know, in terms of, I think LPG is 2.1 million, you know, diesel furnace, oil and all that. It's a very, very big market. Bangladesh is also a huge market, liquid fuel. We Vietnam use a lot of liquid fuel. So demand I think, you know, I call for more investment on demand generation number one and number two as a breach better pricing system because you know, better pricing systems, so retail developers like us can sell, and the customers had confidence of lower volatility and ability to hedge and all that. I think that would be a very good system if we can somehow manage some of that.

David Greely (37m 40s):

Thanks again to He Yiyong, Founder and CEO of LNG Easy. We hope you enjoyed the episode. Join us next week as we continue our series Commodities in Asia. We hope you'll join us.

Announcer (37m 53s):

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Announcer (38m 41s):

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