

Markets

China Looks to Sell Spare LNG as Virus Lockdowns Hit Demand

- Several buyers including Cnooc are offering cargoes for summer
- Covid-19 worries are intensifying amid mass testing in Beijing

By [Stephen Stapczynski](#)
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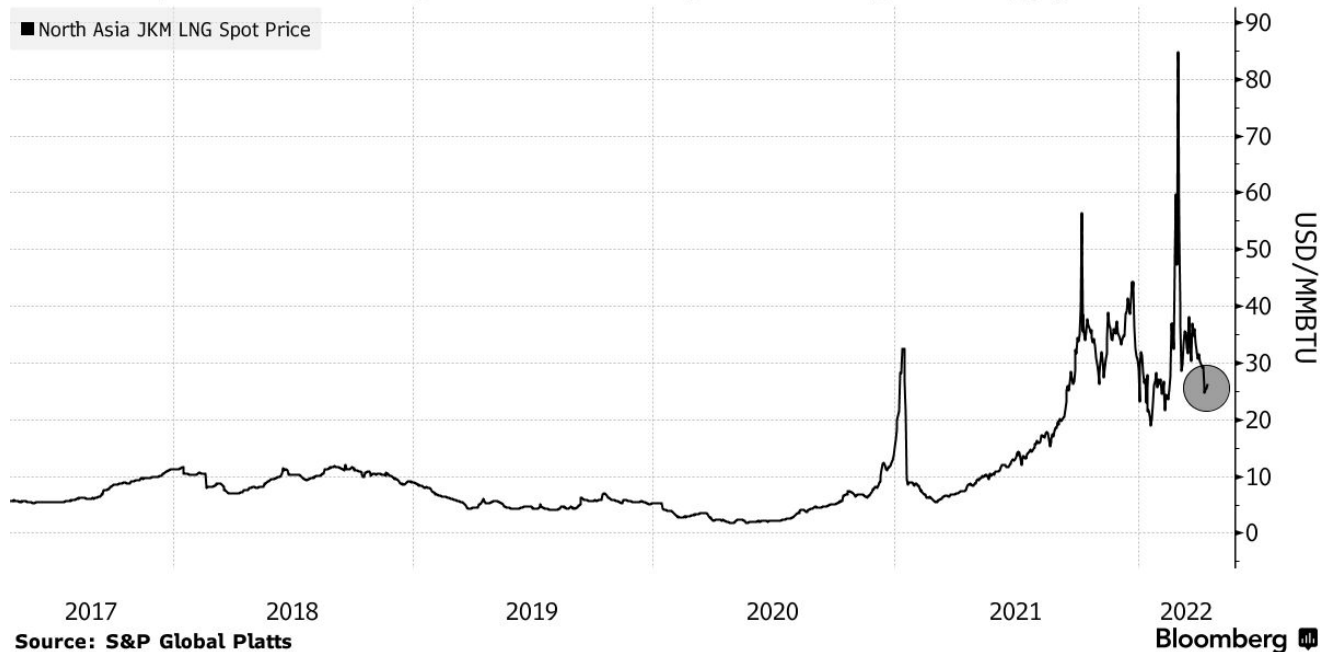
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China, the world's biggest importer of liquefied natural gas, is trying to sell some spare supply due to fears that demand-sapping virus lockdowns could spread from Shanghai to other parts of the country.

Major buyers, including [Cnooc Ltd.](#), are offering at least five shipments for summer delivery on the spot market amid the deteriorating domestic outlook, according to traders with knowledge of the matter. The companies could look to offload more cargoes if Covid-19 restrictions around China increase, the traders said, requesting anonymity to discuss private details.

The continuing spread of the coronavirus in Asia's largest economy and Beijing's strict Covid Zero approach to try and contain it are spurring concern growth will take a bigger hit than previously anticipated. [Iron ore](#), a key economic barometer, slumped Monday as news of mass testing of people in a neighborhood in the Chinese capital spooked the market.

Higher-Than-Normal Asia LNG prices are trading at a seasonal high due to a global supply crunch



Around half of China's gas consumption is in provinces marked by the government as having high or medium Covid-19 risk, according to BloombergNEF analyst Daniela Li.

China doesn't produce any LNG domestically for export, so the companies are trying to resell the cargoes to new buyers in Asia. The firms have scope to offload shipments of the super-chilled fuel as they are sitting on relatively high inventories, according to the traders. They will also be attracted by international prices that are well above domestic rates, they said.

North Asia LNG spot prices have fallen almost 70% since surging to a record in early March after Russia's invasion of Ukraine tightened global supply, but they are still significantly higher than normal for this time of year. If Chinese demand does continue to deteriorate, that could push down spot prices further, providing relief for Asian and European utilities and gas distributors.

(Updates with analyst's comment in the fourth paragraph.)

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