

The SGX logo is partially visible at the top left of the page, showing the letters "SGX" and the flag icon.

News Release

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SGX launches new FFA and futures contracts for LNG vessels

Singapore Exchange (SGX) is expanding its clearing services for seaborne freight by adding three new Forward Freight Agreement (FFA) and futures contracts for Liquefied Natural Gas (LNG) vessels.

The new contracts launched on Monday, 12 July, are listed out to three years forward, referencing the Baltic Exchange's independent freight price assessments for LNG transported on LNG-powered carriers from Australia – the top LNG exporter in 2020 – to Japan¹, US Gulf to Europe and US Gulf to Japan. These three routes constitute the bulk of global spot market LNG flows and the assessments serve as benchmark pricing for LNG freight.

The first trade on the launch day was brokered by SSY Futures Ltd, an independent shipbroker, on the US Gulf to Europe contract with a July-August settlement basis.

Despite COVID-19's impact on LNG demand and supply, global LNG trade reached an all-time high of 356.1 million tonnes (MT) in 2020, in another year of consecutive growth. Asia accounts for over 70% of global LNG imports and demand in the region continues to grow faster than the rest of the world, due to Asia's economic and population growth.

Japan, the top LNG importer in 2020, relies on LNG for power generation and imported 74.4 MT last year. China, the second largest LNG importer that is poised to overtake Japan in the coming years, saw its LNG import increase 10% last year to 68.9 MT as its industrial sector rebounded faster than expected post-pandemic. Both countries accounted for 40% of total LNG imports last year.

LNG requires highly specialised and sophisticated vessels to transport, and its freight cost can significantly impact the delivered price of LNG, making it critical for industry participants to protect against price volatility.

William Chin, Head of Commodities at SGX said, "Asia plays an important role in the LNG freight market given the region's geographical proximity to the epicentre of LNG trade flows. Our expansion into LNG freight marks a milestone in SGX's FFA business since we cleared the first FFA OTC swap in 2006. We will continue to build a suite of products that complements the physical market's green movement and transition to cleaner energy sources, and in this case, risk management tools relating to LNG-powered carriers which have a relatively lower carbon footprint compared to conventional LNG carriers."

Mark Jackson, Baltic Exchange Chief Executive said, "We're delighted in this vote of confidence in the Baltic Exchange's LNG freight assessments. Our data is based on assessments made by some of the leading physical shipbroking companies in this space with quality assured by our strict governance structure."

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¹Source: IGU (International Gas Union)'s annual World LNG Report

About Singapore Exchange

Singapore Exchange is Asia's leading and trusted securities and derivatives market infrastructure, operating equity, fixed income, currency and commodity markets to the highest regulatory standards. It also operates a multi-asset sustainability platform, SGX FIRST or Future in Reshaping Sustainability Together (sgx.com/first).

SGX is committed to facilitating economic growth in a sustainable manner leveraging its roles as a key player in the ecosystem, a business, regulator and listed company. With climate action as a key priority, SGX aims to be a leading sustainable and transition financing and trading hub offering trusted, quality, end-to-end products and solutions.

As Asia's most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and over 80% of listed bonds originating outside of Singapore. SGX is the world's most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit www.sgx.com.

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