SM202 | 11.2.2024
Markets in Transition | Episode 9
Brad Hitch, Director of LNG Trading, EQT Corporation

We close out our *Markets in Transition* series this week with Brad Hitch, Director of LNG Trading at EQT Corporation. David Greely sits down with Brad to discuss the rapid development of the Gulf of Mexico LNG market, what it means for pricing dynamics, and how tools like physically deliverable futures contracts can empower traders to manage risk and unlock value.

Brad Hitch (00s):
Futures markets are a wonderful innovation. They are part of the economic landscape that people probably don't think a whole lot about, but when you have them and they are well-functioning, they can unlock the doors to really get a lot more out of an economic activity.

Announcer (15s):
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 (58s):
Welcome back to Markets in Transition on SmarterMarkets. I'm Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Brad Hitch, Director of LNG Trading at EQT. We will be discussing the rapid development of the Gulf of Mexico LNG market, what it means for pricing dynamics, and how tools like physically deliverable futures contracts can empower traders to manage risk and unlock value. Hello, Brad, welcome to SmarterMarkets.

Brad Hitch (01m 27s):
Thanks, David. Great to be here.

David Greely (01m 28s):
Well, I am glad to have you here because I have learned a lot from you about the LNG markets and how they trade over the past few years, and I have really been looking forward to having you on smarter markets to share your trader's perspective on these markets With our listeners, this is our markets in transition series and the US Gulf of Mexico. LNG market is certainly a market that's been in transition as the US went from no LNG exports less than a decade ago to being the world's leading exporter today. Maybe we can start off with you bringing us up to speed on, you know, what's been happening in the Gulf of Mexico LNG market?

Brad Hitch (02m 06s):
You know, it's an incredibly vibrant time for the market. The US is over a hundred cargoes a month. At this point in time. It's pretty remarkable that it's done that within the space of 10 years, really less than 10 years actually, when you go back to when the first projects got off the ground, you are continuing to see more and more new entrants, layers of all shapes and sizes taking cargoes out on an FOB basis sometimes, you know, US volumes going all over the world. So it's an incredibly exciting moment we have reached and it's not peaking yet, you know, there's plenty more to come, so it's great

David Greely (02m 41s):
And I was hoping you could put some of that size and the development of the market into some context for us. We often talk about the globalization of natural gas markets through LNG. How does what's happening in the US Gulf of Mexico today compare to what was happening say in the North Sea during the formation of the Brent crude oil market in the 1980s?

Brad Hitch (03m 04s):
That is a very good comparison in my opinion because, you know, as the, as the Brent contract was kind of gaining momentum, obviously within the North Sea, you had a, what was deemed to be and what was in fact a really good basis for starting that contract in the sense that you had 60, 70 cargoes a month, something like that at the peak, and you had a lot of different players. So you had majors, you had traders. There was a good sort of distribution of companies that were in the North Sea at the time. If you compare that though to where we are in the golf today, well, you know, now you're at over a hundred cargoes and growing in the golf at the moment. You've got dozens. I think I stopped counting when the number hit 25 or something a few years ago in terms of players that have either primary capacity in the original terminals where they're either tolling or taking long-term contracts or whether, you know, there, there also have been some companies that have come in and bought, kind of bought primary capacity from some of the original holders and doing that kind of further fragmenting the supply side in terms of what that represents for the market.

Brad Hitch (04m 03s):
I mean it, it's kind of an obvious thing in the sense that US supply has grown, right? It's easy, you kind of look at US volume, you know, on a year by year basis growing and you compare that to sort of the bigger players like Australia and Qatar and you could see the US catching up to those guys over the previous 10 years. But what's also really important about the growth of the US market is that it's predominantly an FOB trade, which means that the volumes can go anywhere. It's coming from a wholesale market which is radically different from different. The only other real example of LNG being pulled from a wholesale market is LNG coming out Eastern Australia specifically, you know, it has the ability to kind of be the volume that the market swings on. If you look through time, you've had big producing volumes or you have had big concentration of volumes in single locations in the past at LNG, but you have never had that concentration of volume coupled with a completely fragmented supply side. And coupled with the ability for players to take that, those cargoes where they are needed most at whatever time. So, you know, winter they go to Asia, summer, they go to Europe, vice versa, south America during drier periods, middle East when it's hot. They really can be the balancing volume for the market and that's I think helping the LNG market, helping the LNG become a much more global and kind of more dependable commodity for a lot of new, new entrants.

David Greely (05m 23s):
And I want to come back to some of those points about what that means for price formation. But first I wanted to ask you, where are we going from here in terms of volumes leaving the golf over the next few years? Like are we done yet in terms of the level of development?

Brad Hitch (05m 38s):
No, no, we are not done. There are projects slated to commission over the next couple of years, predominantly in Louisiana, so I am in Texas as well. And those are the projects that are under construction and have been for quite a while. In addition to that, there are again projects that have, have not yet taken FID in some instances, but appear to be on the cusp of doing so. So I think, you know, where does it go from here? I don't think demand is gonna be the constraint coming out of the US that's for sure. To a certain extent, like really only scratching the surface in terms of global demand for gas. Obviously as the volumes build out and as the infrastructure builds out, the space comes a little bit more crowded in the US you know, it will be important to have the infrastructure to bring the gas, first of all to the coast. And then also the ability to build, continue to build infrastructure on the coast to get the gas exported. But are we done now? I think I think there is still a lot more to go.

David Greely (06m 33s):
And I wanted to ask you, you know, from your point of view as an LNG trader, what does all of this mean in terms of price formation in particular? You know, when you look at the infrastructure build outs occurring, how are you thinking about how the price of US Gulf of Mexico LNG is determined and the price of pipeline natural gas at Henry Hub?

Brad Hitch (06m 55s):
As far as the, the value or the how price should be formed for LNG coming out of the Gulf you know, it is a market, these are volumes that can go anywhere and so the simplest understanding of that should be that at this point for FOB volume that can trade freely around the world, it really should be the best of market. So again, if Asia's predominant in a particular month and Asia's pulling the volume and paying the highest price, that should really dictate what the value of the LNG is year. If you go to another month, and that's Europe or even South America or as I mentioned the Middle East or some of the emerging countries, it really should be what sets the price should be the marginal demand and the marginal demand or the, you know, the players that have access to US golf are pretty much all over the world, right? So it really should be the best of concepts. When you think about where price should be here

David Greely (07m 48s):
And how do you see as that as comparing to say the price of Henry Hub?

Brad Hitch (07m 52s):
You know, there are two components to that, right? Henry Hub, obviously it's the gas market, it's not an LNG market, it's the gas market in the us You know, obviously it has been a big part of the US LNG story has been people coming in buying us LNG on formulas that create kind of a Henry hub plus or a cost plus model for them, right but at the end of the day, you know, the price of gas in the US is going to be at times decoupled and in fact has almost always been decoupled from the value of the LNG in the Gulf simply because there is not enough transport capacity coming through the Gulf. So in other words, there is, you know, it's, it's been very, very rare for example that the constraint on LNG coming out of the US has been price or demand, right? It's almost always been producing at max capacity or at least max available capacity. So you know, obviously you have had facilities go down and there's maintenance and things like that, but you have never had price determine a lower level in the l and g market outside perhaps you'd say of the pandemic year and without that happening, you know, there is really, you know, there's really no reason why the two prices would cut.

David Greely (09m 11s):
Yeah, and I think there is another common notion out there that you touched upon, which is that the price of LNG in the Gulf of Mexico is just a net back to Europe, a net back to TTF. What do you make of that idea?

Brad Hitch (09m 24s):
I think if you're looking at it from one angle, I kind of understand why people arrive at that assumption and Europe is obviously a very big gas market. It's also the most visible gas market. You have a TTF contract that people here can trade and so in that respect, I think it's understandable that people would say, well it should just be a net back from Europe because that's the thing that gets published the most, both in terms of the price as well as, you know, you get fundamental data out of Europe, right. You get storage levels that you can track. It's a relatively low hanging fruit in terms of if you're kind of trying to understand value. But again, if you think about it, Europe is sometimes the best value for LNG. Sometimes it's not, right. When you think about the periods where it's not, one of the challenges that outsiders have in many instances is it isn't necessarily as visible what a price of what someone's paying for LNG say in Southeast Asia or even China or South America.

Brad Hitch (10m 18s):
Those parts of the market being a little bit less visible tend to get priced into. So you know when to the extent people trade physical cargoes in the market, that pool will get priced into those physical cargoes, but it won't necessarily be reflected in the TTF price. It also bears mentioning, I mean TTF is the gas market specifically in the Netherlands. There are obviously other gas markets in Europe that trade sometimes even to a positive differential to TTF and even those markets close to TTF can have a role in kind of pulling volume away from the Netherlands and therefore kind of creating a higher LNG price relative to TTF.

David Greely (10m 55s):
It's not even true that the price of LNG off the coast of Northwest Europe is the same as the price of TTF in a pipeline in the Netherlands. We saw that during the European energy crisis following Russia's invasion of Ukraine. When LNG was pricing, you know, something like $20 an MMBTO below TTF, how do you think that LNG in Europe should trade over time relative to TTF?

Brad Hitch (11m 20s):
It's an interesting question. Obviously when you, you know, in the wake of the Russian invasion, when you had the skyrocketing TTF prices, you had an infrastructure bottleneck in Europe that a lot of people, myself included, never, I never imagined a situation where you would have an infrastructure bottleneck for an extended period of time in Europe where they needed the gas needed more LNG than they can get their hands on, right and so that, that obviously was what was behind, you know, some of these huge discounts, our huge premiums for the TTF gas over LNG itself. We would like to think we have backed off that, that situation now because we've had a, got a lot more import capacity into Europe you know, there is a lot more caution in Europe about making sure gas storage is very, very full entering the winter and so on. You wouldn't expect to ever see that again, or at least if you did it wouldn't be as persistent as it was.

Brad Hitch (12m 13s):
But it does beg the question, well then what should happen and you know, I think again there are going to be moments where you are going to need to pull a lot of LNG through into Europe relative to, you know, kind of what the market might be doing from a day-to-day basis. So the market is set up in any given month to push some volume into Europe in a base load way, irrespective to a certain extent

of prices and not necessarily irrespective of prices, but if prices kind of stay within a reasonable basis to what you could sell the LNG for in Asia, I mean there is maybe even a little bit of inertia with that, right. Those volumes will just kind of flow in. And my guess is that will probably consistently happen. It spreads that are maybe not enough to justify new re-gas, right because obviously if you are not full in re-gas, if you are getting enough LNG into the system without completely maxing everything out, you know, you're not necessarily gonna see those spreads blow out.

Brad Hitch (13m 12s):
And so the LNG value will probably creep up relative to TTF and it might even revert back to what we had before the Russian situation where we consistently saw northwest European LNG prices flat or even a premium to TTF, right? There was a moment, and no, actually I shouldn't say a moment, there was, there was a long period of time before the invasion where the best value of LNG in a tank in Northwest Europe was to stay in the tank and either be reloaded or possibly work as storage to be taken out later in the year.

David Greely (13m 47s):
And listening to you talk about the prices of the LNG cargoes, a couple things come to my mind is thinking about pricing off TTF because it's the price people can see. It's a little bit like the old story about searching for your keys under the light post because that's where the light is. But also there's a point of thinking about, well when Europe is the demand pull and when there isn't a bottleneck at Regasification, then you could say, okay, maybe now it's a net back to TTF in that moment, but as you said, it's coming outta the gulf FOB, it's kind of a best of price at a moment in time. And when you are looking forward a month, two month, three months, you don't know what the best of price is gonna be. So there is a lot of optionality option value probably built into that and how you think about what you want to be trading. Could you walk a little bit through that mindset of thinking a little bit farther ahead on the market and what variables have to be taken into account?

Brad Hitch (14m 46s):
Sure. If you're going out beyond, you know, the very near term and you know, you, you are looking in many instances to find an index to place your cargo against or to put to, to value your transaction against, that can be a little bit challenging with when your, one of your primary tools, or maybe even the best one really from a liquidity standpoint is a gas market, right because there is a basis differential between LNG as we talked about a moment ago, that differential is going to be a little bit volatile and it's going to be volatile in ways that are actually a little bit difficult to see if you are not in the LNG market on a consistent basis, right. So is the value of, as a prospective buyer for the sake of argument, you know, great, you maybe are filling your power plant or you are sourcing gas for your power plant through an LNG contract tied to TTF.

Brad Hitch (15m 37s):
Well I mean the minute that the basis changes, if you don't need the cargo anymore, you have a P&L position, right. It creates probably some risk, some for newer entrants, I think it creates risk where you have, where you are not necessarily rateable from day to day or month to month in terms of what your gas demand is and you may need to put some gas back in the market or maybe take a little bit more on them what you thought. But at the same time, you know, when people think about what index to use, and particularly I think this is, you know, the case, if you think about people with developing power projects in markets where the price itself is regulated, that regulator and many times in these markets will seek an index tied to a, a commodity price that's got to a long history and is published and that they can see, right? You are in a bit of a catch 22 in that instance that you need a price formula that will keep you, that will remove the risk in your power purchase agreement in that particular instance. But the LG market really isn't giving you know, a, an index that you know isn't going to create some basis risk for you in the event that you don't need all of that LNG.

David Greely (16m 44s):
Yeah. And I wanted to ask you about the tools that are available when those indices aren't, you know, necessarily good enough and I would like to talk to you a bit about how the availability of the tools changes the way that you trade. You have been a big proponent of physically deliverable futures contracts for LNG, so I wanted to ask you why is that and how do they change the way you can trade relative to say a cash settled index contract?

Brad Hitch (17m 11s):
Well, in the example I just gave of a power producer that needs to match his index to his PPA, having a physically settled futures contract or physical settlement tied to an index that you can work with gives you price convergence or gives you something very, very close to price convergence, right and so the convergence of the price to the actual market means the convergence of the actual index itself to the actual market, which you know, removes a lot of basis risk, particularly for developers in my opinion. But going beyond

that, to the extent its futures contract itself, obviously it makes it a lot easier for new entrants to come in. You are always going as a new entrant probably to have some bilateral agreements you are going to need to put in place with the spot market no matter what but if you think about the ability to go through a clearing broker and give yourself access to the wider market as opposed to needing to put in place 40 or 50 enabling agreements in a relatively short period of time, it's a great boon to get new people into the market and let them begin managing some risk relatively early.

Brad Hitch (18m 15s):
There's the other thing that people, if you've only ever traded LNG, you, you know, you haven't necessarily experienced the freedom of optimizing a position without necessarily knowing where that cargo is going to have to go or where that volume is going to have to go. So if you think about this in the context of a gas market, if you are a producer and you have the ability to deliver into the forward market, you can hedge without thinking about am I going to get stuck because I don't have supply going into that market. You can put positions on, you can take them off and again, you know when more and more as again, as you kind of get new entrants coming in, a lot of times if you haven't, you know, had 10 years to kind of build out an LNG portfolio, you are going to have moments in time if you are running ships for example, where you are gonna have a couple of cargoes here and there or maybe an excess ship for a month and things like that and having a futures contract that's physically settled gives you a lot more comfort really in optimizing kind of these odd lot positions as it were. It, you know, it makes it a lot easier to make a decision of, well you know, I only need half of a ship. Do I take a ship or do I just hedge the goes out forward, sell them and be comfortable with that? So I, you know, I think it really touches a lot of levels in my opinion.

David Greely (19m 29s):
One of the things was brought up in your response was this idea that there is a certain interplay between the markets and the tools available to the market that you need a certain amount of liquidity of course to get a futures contract going. But then also having a physically deliverable futures contract can help by lowering the cost of new entrants coming into the market and being able to trade. How important is tools like that to helping markets continue to develop?

Brad Hitch (19m 56s):
It's very important. The experience in my career that hasn't been in LNG has probably predominantly been in European gas. I got to be a part of the development of the European gas markets over a 20 year period where you, you started with really one market in the United Kingdom, that's the NVP and you know, you grew to a place where the TTF contract not only came out, was developed and really kind of took over the world, at least in terms of European gas and you know, a lot of what happened with that in the continent is that as you had the liquidity bill and TTF and bearing in mind too there, you know, there had been the TTF contract was a success after there had been many attempts to sort of develop traded contracts in Europe and different places, Germany and a few others and there was a hub concept and all kinds of things, but by sort of lowering the bar for people to be able to trade the physical gas market.

Brad Hitch (20m 55s):
And that was done one of the beautiful things about the design of the TTF and it is it being an entry exit system, you don't necessarily have to think as much about transportation in and out if you only want to trade and so it pulls a lot of the liquidity into a central point and acts, you know, even in the forward market, the OTC market, it acts very much like a fiscal future in that respect and by doing that sort of created momentum for itself where it only began to make sense that, you know, whatever risk you were managing, you would go to that market because one, it was the easiest and two, the minute that you began to price things against different indices, now all of a sudden the reality was because everyone else was adopting it, you kind of had to, you couldn't do necessarily oil linked contracts on a long-term basis anymore the way people always had because it was going to create huge disparities in your p and l relative to what your peers were doing, you know and so I think getting the plumbing right is kind of how I look at that question to a certain extent. You know, getting a contract that works, getting a mechanism that works, you know, goes a long way towards building liquidity and that liquidity itself then goes a long way towards, you know, it really just feeds on itself is, I guess what I am saying.

David Greely (22m 07s):
It's interesting you bring up the European gas markets. I would love to get into that a little bit more with you just because I remember in my own career back in the two thousands working on the European gas markets, of course it was very much like an NBP market in the UK and then a oil index contract on the continent and some small regional markets developing. And when you saw that transition from people trading MBP to trading TTF and moving off the oil index contracts, was it, you know, predominantly that fact that that TTF got the plumbing right, that made that transition or were there other pieces along with it?

Brad Hitch (22m 45s):
The MVP always had the plumbing, right? The UK contract was always a good one. It was well designed and it's very much kind of the basis for the way the other European contracts have kind of been rolled out in my opinion. But the big differentiator was once you had the successful contract in Europe that worked, functionally worked and you had it in a location where you had a lot of gas coming through, right. The Netherlands, it's, you know, it ties into a lot of other gas markets in Europe and critically it was also trading in, Euros for megawatt hour, which is very helpful that it was in the currency of the actual market that people were buying and selling gas and by doing that, what it enabled that contract to do really was become the tool of choice for the continent. As much as the UK market is a very big market relative to the other European markets, it's not as big as Germany plus Netherlands, plus France plus Italy combined, right?

Brad Hitch (23m 39s):
The minute that you had a good contract that worked across the broader environment, it took off and what it's kind of done is it's, it pulled the liquidity away from MVP that that was there for many years because MVP was kind of the only European gas market people could trade, right and so you had a lot of outsider liquidity come in because they needed the exposure, felt like they needed the exposure to Europe. And a lot of that outsider liquidity now has gone into to TTF and I would imagine the primary liquidity in MVP these days is really people that have physical gas positions in, in Europe are, excuse me specifically in the United Kingdom to manage

David Greely (24m 18s):
The right contract and the right location with the right physical supply flowing through it.

Brad Hitch (24m 23s):
You know, it was an amazing success. I remember sitting on a trading desk at one of the banks I worked with talking to the continental trader and I think I have told you this story, I had seen like eight or nine attempts to get a contract on the Continental going and thought, nah, it'll never happen. This TTF thing will, you know, it won't last. And there we were eight months later, you know, it had, it was regaining liquidity just so, so fast. So that's the interesting thing. Once something works like that, it may take a little while, but it just seems like it catches on very, very quickly then you look back on it in hindsight and say, oh of course that made sense, right you know, why didn't we see it at the time?

David Greely (24m 57s):
I guess brings me back to LNG in the Gulf of Mexico. So we have a lot of physical supply flowing through there as you talked about. But I wanted to ask you because in the LNG market, you have obviously traded gas for a long time. You trade LNG, I think there are many traders in the LNG markets that are best described as pure physical traders that haven't used futures before and I was wondering, you know, if you could talk a little bit about how can physically deliverable futures markets change the way that they can trade. If you're a, a physical trader who hasn't really used futures before because they haven't been available, how can they use the types of tools to unlock and monetize the value in their fundamental trading views and the optionality and the physical infrastructure that wasn't previously available to them?

Brad Hitch (25m 44s):
It gives you a much, much better ability to do both of those things. So in terms of managing just your risk and thinking about the positions that you take, again, you know, it frees you up when you think about what am I going to do with this cargo in six months time I like this price, I want to lock in at least that price for this, but I don't know if I'm gonna actually want to deliver to that one location or what am I gonna do if I'm committed to selling to this particular customer to get this price and now all of a sudden be a lot better for me if I took that cargo elsewhere? Having a price converged contract really removes the need to involve a specific counterparty in a specific location from some of those decisions and it frees you up really to trade your, your risk as risk.

Brad Hitch (26m 28s):
But the other part, the very important part, and I think an increasingly important part in LNG is that it does allow you then to optimize your infrastructure position in a much better way. So if you have the ability to adjust cargoes between regions is kind of an obvious thing. You can put positions on in different regions and take them off. It also gives you a much better way to manage storage or to optimize or extract value out of your storage position, right. So when you see calendar spreads go up, you have the ability to potentially move volume from one time to another to take advantage of that. When time spreads collapse, you are inclined to sell more volume today and buy that pack outta the market to cover, right. That very action itself, once that gets going, creates a little bit of liquidity in the curve.

Brad Hitch (27m 15s):
It also rewards people for having that infrastructure also, right. So if you think about it in LNG storage is very, very expensive relative to a lot of other markets. A lot of the gas markets outside of the US and outside of Europe, there aren't as many opportunities to have kind of traditional underground storage, whether it's in, you know, salt caverns or whether it's in depleted reservoirs. The ability to develop infrastructure in the LNG market is kind of at a high cost and it's, it's a premium thing and you know, obviously though the less storage you have, the less ability that you have for the infrastructure to absorb price shocks, the more, or excuse me to absorb demand or supply shocks, the more the price is going to have to basically be the thing that stabilizes the market and in the event of a demand or a supply shock.

Brad Hitch (28m 07s):
And that of course then is gonna feed the volatility. So the more you have that volatility. But the nice thing is once you begin to develop a curve and you begin to monetize the positions that you gave taken in your infrastructure, you know, storage, shipping, etc., that in turn creates the incentive to actually do more of those investments, which will be better for everyone in the long run because then it gives the industry as, as a whole has an incentive to develop the infrastructure that will reduce some of the volatility in the basic price. And I think that's one of the things that when you look at what's happened over the last few years, the extent to which prices exploded in the wake of the Russian crisis has been one of those things that probably maybe slowed down development a little bit. I think it's picking back up now on the demand side, but obviously you know when it's better to bring in new customers when they feel that I am not going to wake up one morning and find that gas is $80 in a MP right, you know, when I was kind of expecting it to be somewhere between, you know, eight and 15 or something like that.

David Greely (29m 09s):
It reminds me of earlier in our conversation today, thinking about the Gulf of Mexico market as it continues to develop, right. We are anticipating something like export capacity doubling over the next, say call it four or five years, you know, as you said, more cargoes connected to a market. The US market that has storage, has a lot of production, those cargoes potentially becoming the swing cargoes in a global market. It seems like that creates a lot of opportunity for being able to unlock optionality to be able to optimize that infrastructure. How do you think about just the dynamics of what that opens up in the coming years?

Brad Hitch (29m 55s):
It should give people the ability to monetize infrastructure again, which should encourage people to build infrastructure and you know, you have seen that in, in the US gas market, right you have seen that over time where you know, the availability to hedge has given people better ability to, to get funding for upstream projects or for gas storage, et cetera. But I think it will also probably give individual traders or people that would like to enter the market specifically to trade it. We will probably have more opportunities to do that. I think the way, at least in my experience working in a few different institutions, what is probably a little bit tough to do is just purely trade a fundamental position tied to TT or not tied to TTF, but tied to LNG specifically purely with financial instruments because you don't have the prices converged, right? And so I think that once you get into that position where you are kind of building liquidity in these down the curve and different contracts and different tenors and things, then that opens the door for more people to come in that purely want to take a position in those things, which obviously helps to build the liquidity in that part of the curve, which again incentivizes then you to build infrastructure that you can in turn optimize.

Brad Hitch (31m 09s):
I feel like we are getting to the point in that market where maybe we are turning the corner into that part of it. For me it feels like a long time coming. I first got involved in LNG in I think 2000 and even 25 years ago. It was the trading market of the future and seemed to be the trading market of the future for about 15 or 16 years there. But I think it really has developed over the last few years into something where you, there is just a lot more liquidity in the physical spot market, shorter tenors and fixed price and so on. But you know, to me it feels like only a matter of time before you turn the corner into that liquidity developing into a good, well-defined painted curve and then in my opinion, opens the door to that market development and turn giving a lot back to the LNG market participants.

David Greely (31m 52s):
You said it's been the market of the future, I guess for 20 years. When you think about the opportunities for traders and the world of LNG trading and the opportunities growing and evolving, how do you see that and how do you see, if someone out there is listening in a trader and they want to try to capture that opportunity, how do they do that? How do you go from what you are doing now to trying to capture some of the opportunities that you've been capturing?

Brad Hitch (32m 19s):
A lot of this obviously depends on the, I think the context of where the person is coming from. If it is someone who's currently trading natural gas in the us I think for the moment what I, one thing that I hope is that as you sort of have a bigger commercial growth of companies participating in LNG with their commercial teams here in the US, I think that hopefully gets more sort of market participants in the US or more individuals the ability to sort of get exposure to LNG. I think it's important that I mention it that way because the answer would be very different to be honest, if we were sitting in London, Zurich, Singapore, Geneva, where you have a lot of physical traders that have LNG trading desks and, and I think for people to get involved kind of this new entrance there, it can be a little bit straightforward.

Brad Hitch (33m 05s):
As in you go to a trader, you go to a producer and try and get on anywhere you can be IT fundamentals analysis or scheduling at the beginning or what have you, and get in the door that way. I think the opportunities in the US are a little bit tougher just because there isn't as much of it here right now though. You, you know, you do have obviously a lot of projects project development you are beginning to see with producers coming into the market, you are probably going to see more and more, I hope, see more and more risk managed specifically here. So I think for people in this particular market, I would say initially maybe look for opportunities in business development if you can, because all the action in the US up until now has really been about getting these projects built. And that is not trading, right?

Brad Hitch (33m 49s):
If you are working on developing a project that's not trading, but it gives you a lot of commercial exposure to what, what LNG's all about, where are the customers, what are they doing, why do they want to export. Under what circumstances will this customer export versus that and what are, you know, kind of what are the risk profiles right now. Probably business development roles in the US or the thing that give you the most entry to that but I can't help but think over the next few years that there will probably be more entry level trading jobs as well.

David Greely (34m 19s):
And I guess my last question for you is, as you look out over the next few years, what are you most looking forward to seeing develop in the LNG markets?

Brad Hitch (34m 28s):
I think displacement of refined products and parts of Asia, something I am looking forward to, when you begin to see people having to think about the price impact of LNG versus diesel, different parts of the emerging market, that to me will be a sign that we have arrived as a commodity. I'm very much looking forward to the liquidity growing. I am looking forward to having the opportunity to work on storage and more shipping and, and have those things unlock or using trading to unlock value in, in assets. And to be able to do that more and more in LNG I think, you know, futures markets are, they're wonderful innovation. They are part of the economic landscape that people probably don't think a whole lot about, but when you have them and they're well-functioning, they can unlock the doors to really get a lot more out of an economic activity. Some of the things we have talked about in being able to optimize assets and positions, that's something that I am personally very excited about because I have seen that work because so many other markets and because in my opinion, those tend to be kind of the funnest, most fun deals you can work on.

David Greely (35m 31s):
Thanks again to Brad Hitch, Director of LNG trading at EQT. We hope you enjoyed the episode. This concludes our series Markets in Transition. We will be back next week with our new podcast series Inside the Coffee House. We hope you will join us.

Announcer (35m 47s):
This episode was brought to you in part by Abaxx Exchange, where trading in centrally cleared, physically deliverable LNG and Carbon futures contracts is now underway. Ready for smarter markets. Contact us at onboarding@abaxx.exchange.
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