

X-LNG CASE STUDY · OCT 2025

Valuing LNG cancellation rights

Price the option to cancel LNG purchases and use cheaper supply, including cancellation fees and regasification costs.



\$0.24/MMBtu

MEAN OPTION VALUE · REGULAR VOLATILITY

The cancellation right changes how demand is supplied

Same gas demand and access to regasification slots

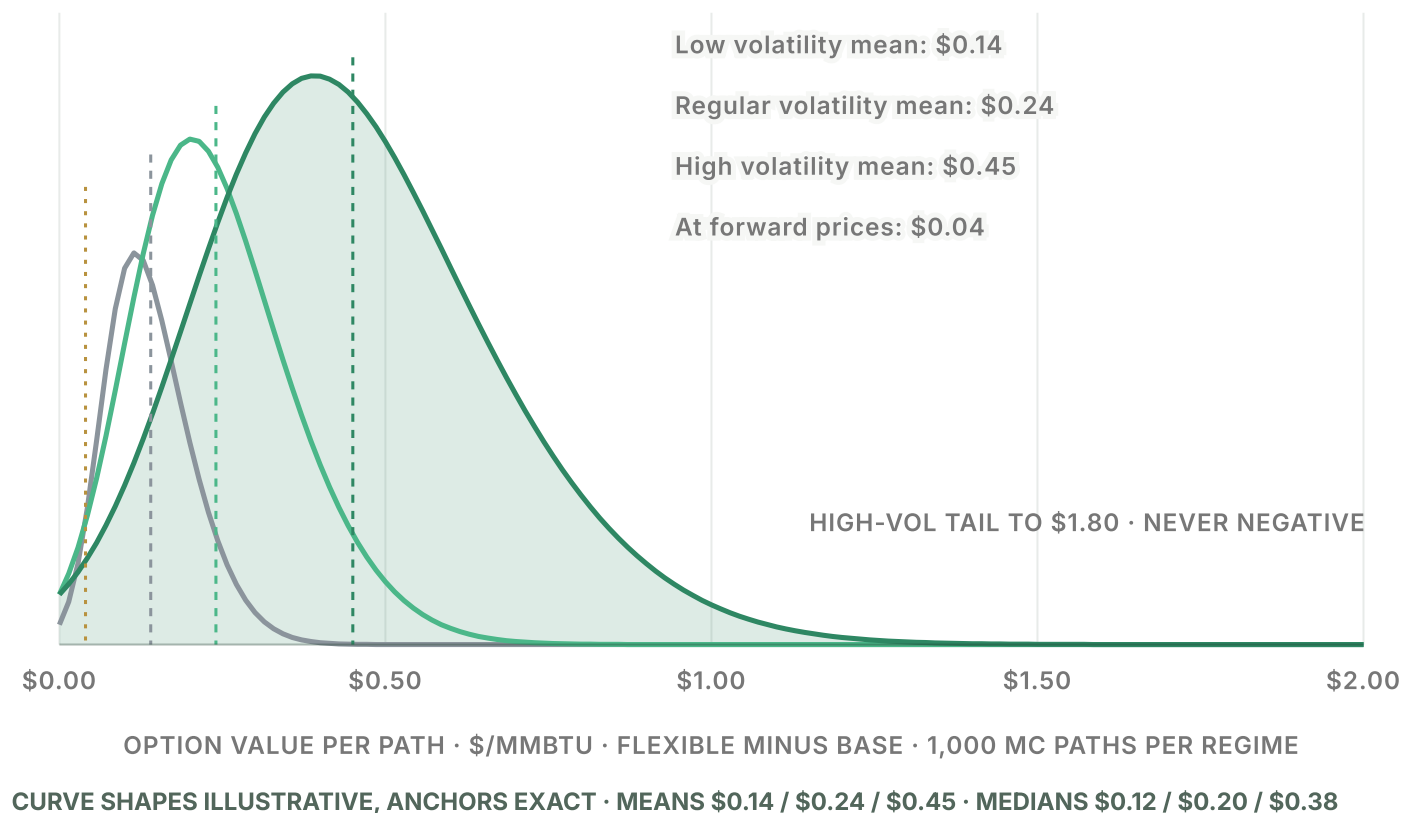


Cancellation fee applies

The model can replace firm LNG with cheaper spot supply, after fees and regasification costs.

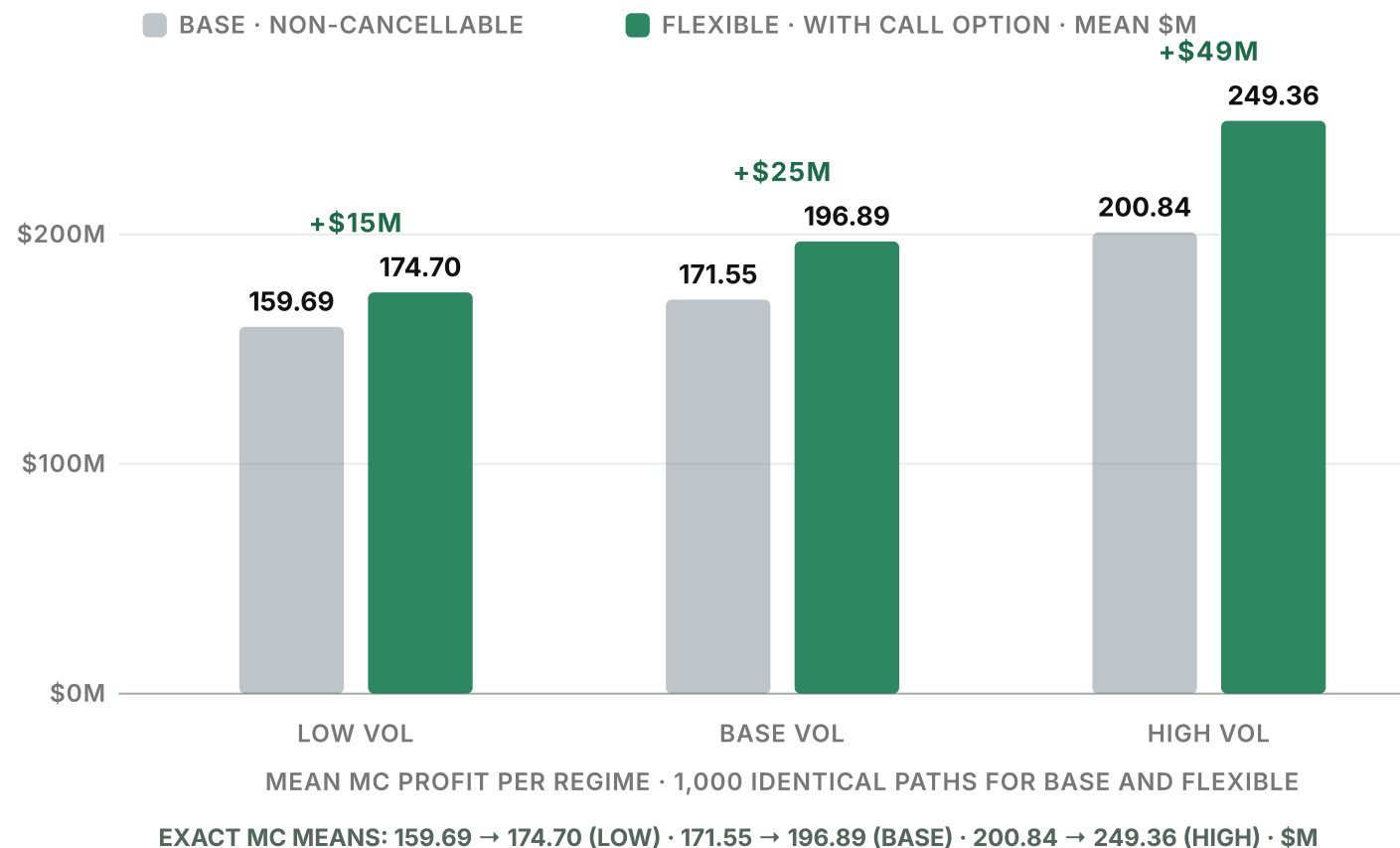
Study assumptions: \$2M cancellation fee; \$0.50/MMBtu regasification cost; three spot markets.

Simulated cancellation value exceeds the forward value



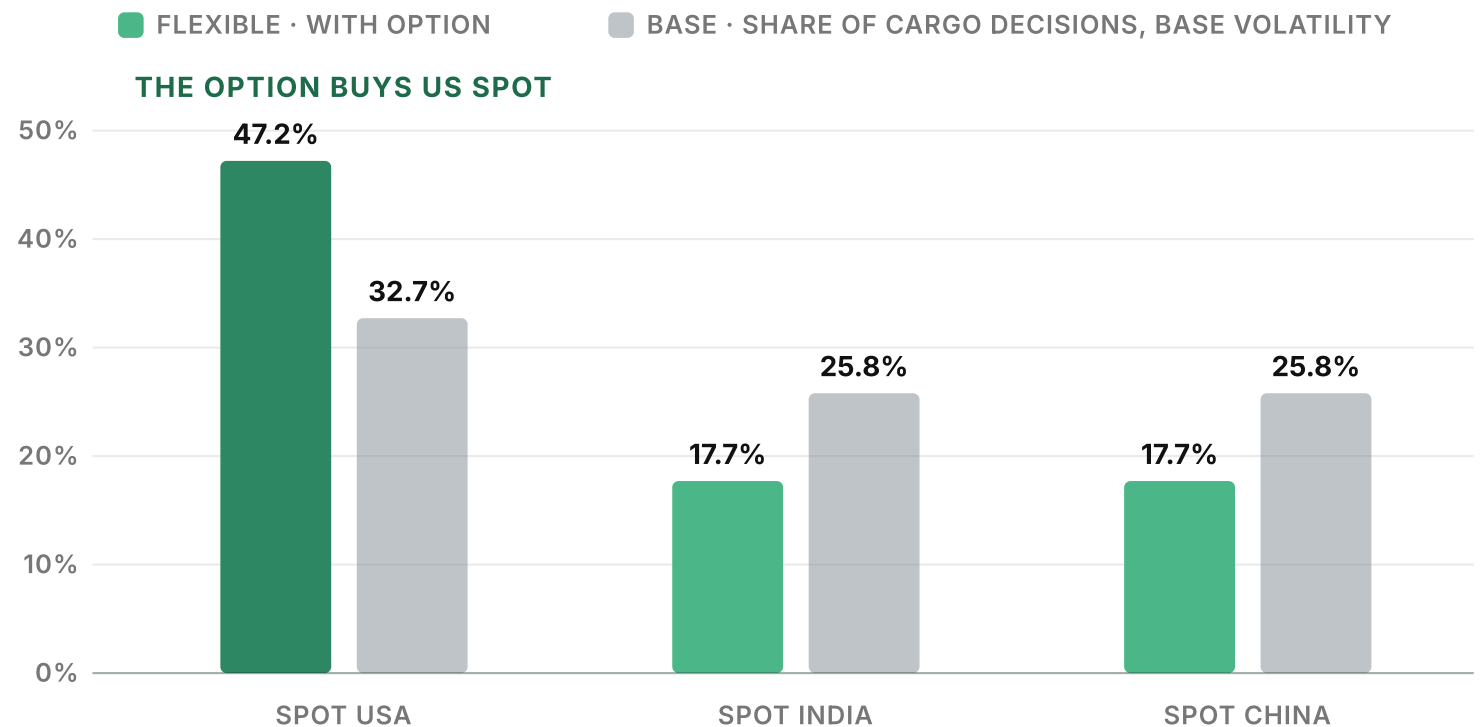
At forward prices, the option is worth \$0.04/MMBtu. Mean simulated value is \$0.14 at low volatility, \$0.24 at regular volatility and \$0.45 at high volatility. The regular-volatility value above forwards is therefore \$0.20/MMBtu.

Compare firm and flexible purchases on the same paths



Each comparison uses 1,000 simulated paths per volatility setting. X-LNG recalculates both portfolios on each path and measures the profit difference.

The flexible plan selects more US spot supply



AT HIGH VOL THE US SHIFT PEAKS: 49.0% VS 32.3% · +16.7 POINTS · INDIA -8.9 · CHINA -6.4

SHARE OF CARGO DECISIONS PER SPOT MARKET ACROSS 1,000 PATHS · BASE-VOLATILITY REGIME, EXACT ENGINE SHARES

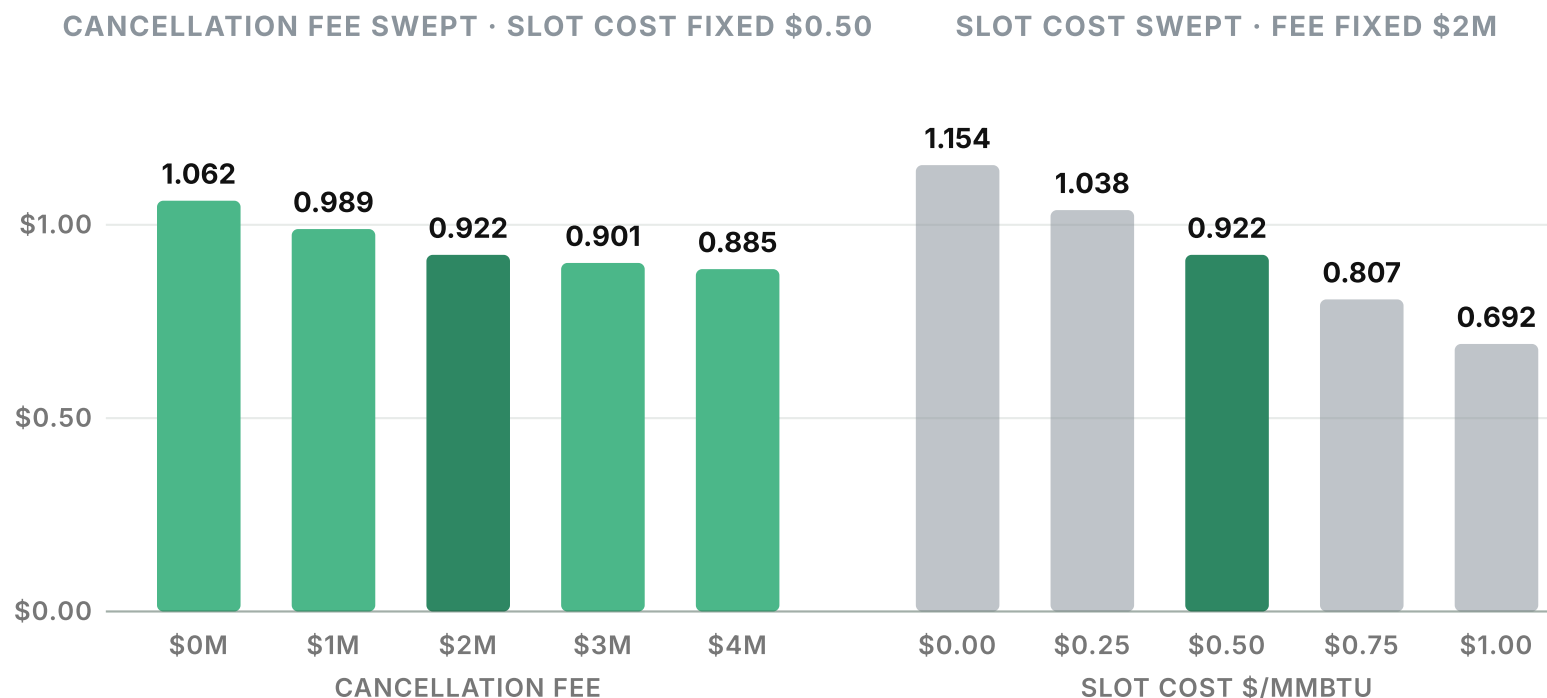
When spot supply becomes cheaper than firm supply plus the cancellation fee, the model can replace the firm cargo. The existing sales and regas requirements remain part of the comparison.

RESULT AND SCOPE

\$0.24/MMBtu mean option value at regular volatility, including \$0.04 at forward prices.

The fees and access to replacement supply are model assumptions. Mean total value, median value and value above forwards are different measures.

Fees and regas costs reduce the purchase option's benefit



PORTFOLIO PROFIT \$/MMBTU AT FORWARDS · GREEN = BASE CASE \$0.50 SLOT / \$2M FEE = \$0.922

EXACT GRID VALUES FROM THE ENGINE · FULL 5X5 SWEEP IN THE SOURCE STUDY · BASE CASE \$0.922/MMBTU

In the sensitivity test, each \$0.25/MMBtu increase in slot cost reduces portfolio profit by about \$0.11/MMBtu. The reported average effect of a \$1M cancellation-fee increase is about \$0.04/MMBtu.

Compare the value of cancellation rights with their costs

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