Deep dive

‘Let’s get physical!’: Abaxx takes on JKM

Abaxx Exchange is betting that physical settlement can dethrone JKM as the global LNG price benchmark. The market isn’t so sure.

Seb Kennedy

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Abaxx Exchange wants to do what no one has managed in modern LNG trading: turn a paper price into a physical one.

For more than a decade, the Asian LNG spot market has been anchored by the Japan-Korea Marker, a Platts-assessed cash price built from bids, offers and trades reported by a small club of big players.

JKM prices billions in LNG trade each month, yet no cargo has ever passed through its clearing mechanism — because it doesn't have one.

Now, a group of former traders and risk specialists believes it has built something better: an exchange-traded benchmark overseen by a dedicated clearinghouse that links futures prices to real cargo delivery, rather than to assessed market quotes.

The stakes are enormous. Success would redirect order flow worth hundreds of millions and redefine how LNG is priced across the world's fastest-growing energy markets. Failure would confirm the sceptics' view that physical settlement is an elegant theory unsuited to a seaborne commodity.

"The bottom line is LNG is a severely opaque market, and many like it that way."

Abaxx's proposition is straightforward but audacious: a futures contract that guarantees not just a price, but an actual shipload of gas.

To its advocates, that promise could finally align paper and physical markets, de-risk spot trade, and bring greater transparency to a system that many view as opaque. To its critics, it's an operational nightmare that would swap counterparty risk for delivery frictions that cash settlement avoids.

With short-term and spot trades accounting for an increasing share of overall LNG supply, **the battle for supremacy in global LNG pricing is heating up.** This isn't an arcane debate about settlement mechanics; it's a fight over who gets to define the value of a fuel that powers half the world's economies.

IN THIS ISSUE (click to expand) 👇

- **What happens when a paper trade demands a real ship?** The high-stakes, multi-step process of taking a futures contract into physical delivery — the Abaxx settlement mechanism explained in detail, for the first time
- 💥 *ARTICLE STATS: 5,000 words, 12-min reading time*

‘Let’s get physical!’

DEEP DIVE: Abaxx is betting millions that physical settlement can dethrone JKM as the global LNG price benchmark. The market isn’t so sure.

Singapore-based Abaxx Exchange has been trading LNG futures since July 2024. Today, it offers three core products: Gulf of Mexico (GoM), North-West Europe (NWE), and North Pacific Asia (NPA).

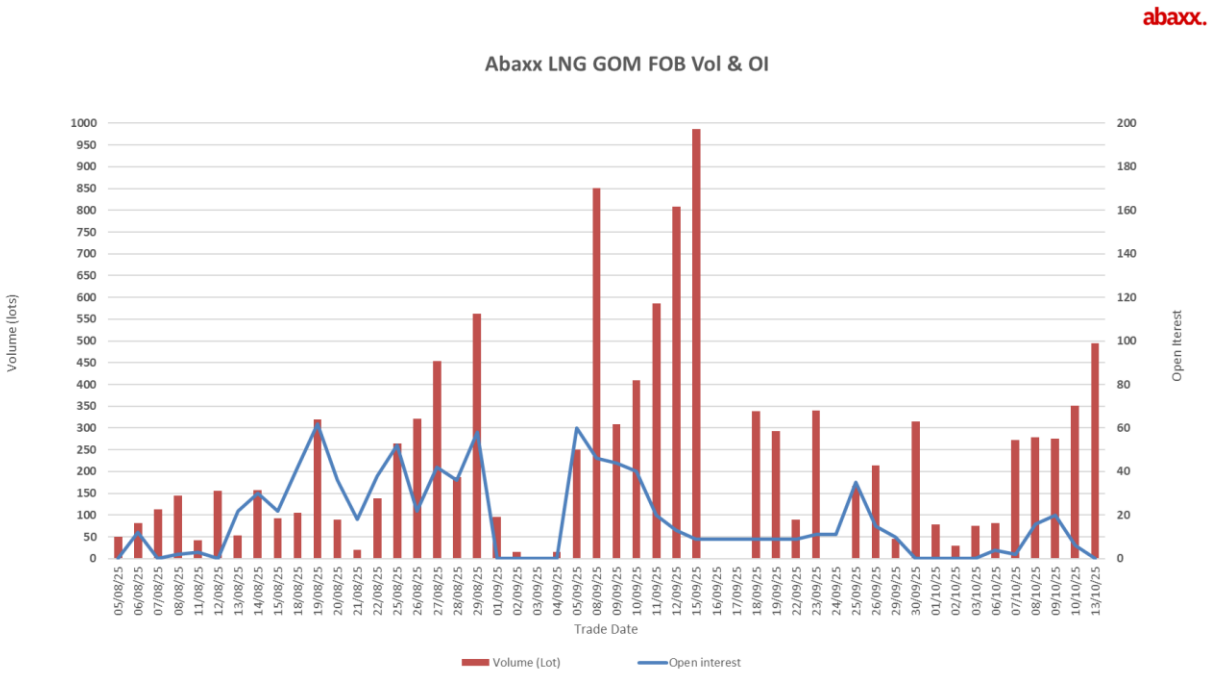
Traded volumes across the portfolio are rising sharply, but details of exactly who is sitting behind the screen is a closely-guarded secret — prompting a mix of curiosity, excitement, and incredulity among market observers.

The exchange said in October that:

“Trading volume in NPA DAP [delivered-at-place] Futures reached 690 lots in the week ending October 17, 2025, while GOM FOB Futures increased to 2,394 lots. Total LNG volume rose more than 80 percent from August to September, with trading activity continuing to build in October.

“Since launch, total trading volume across GOM FOB Futures and NPA DAP LNG Futures contracts has reached 14,042 lots, representing approximately 140,420,000 MMBtu or $1.6B USD of notional value — equivalent to around 40 LNG cargoes.”

The growth seems impressive, but it is worth noting that **none of these trades have yet gone to physical delivery**. So far, all activity has been cash settled, although Abaxx CCO Joe Raia is adamant that physical settlement is only a matter of time. “It will happen soon; we are just getting going,” he told *Energy Flux*.



Traded volume and open interest in Abaxx Gulf of Mexico FOB contract, Aug-Oct 2025

David, Goliath, and the MoC

Volumes on Abaxx are dwarfed by participation of LNG heavy-hitters in the dominant benchmark, JKM. Prices are assessed via the Platts Market on Close (MoC) process for JKM’s dual derivative and physical markets.

S&P Global says 23 physical trades totaling about 1.49 million tonnes (mt) of LNG were recorded in the MoC assessment for the November JKM physical pricing period, “just shy of the record seen in the previous pricing cycle”.

But the real growth is happening in the JKM derivatives MoC, where “an all-time high of 3,756 market entries were reported from 24 participants comprising 1,694 bids, 1,441 offers and 621 trades” — double year-on-year.

“On financial exchanges, JKM futures’ traded volume over Sept. 16-Oct. 15 reached 99,209 lots, equivalent to around 19.08 million mt or 301 cargoes. The MOC process accounted for nearly 16% of that volume.” — Cindy Yeo, S&P Global

Platts JKM September update

- Cash differential to JKM balance-month contract averages 2.9 cents/MMBtu.
- Platts assesses Sep-delivery JKM at $11.893/MMBtu, down 9.25% MOM.
- Prices decline on lackluster demand from key Asian buyers.

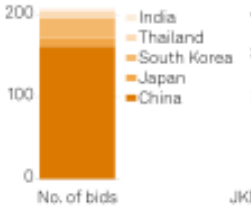
Platts JKM and balance month-next day cash differential ($/MMBtu)

Cargo

Bids, offers and trades

Load ports

Discharge ports



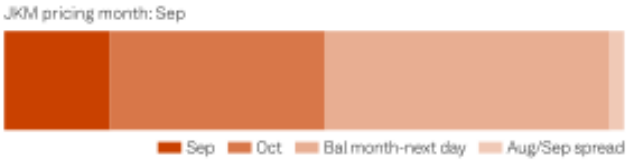
Pricing basis

- Asia-Pacific LNG cargo MOC sees 26 trades, equivalent to about 1.69 mil mt LNG.

Derivatives

Bids, offers and trades

Bids, offers and trades by contract



- Interest for JKM time spreads; 50 bids-offers during MOC.

Recently announced long term contract deals

Date reported	Buyer	Seller	Volume	Tenure	Start year	Pricing basis
22-Jul-25	PetroBangla	OQ Trading	5 cargoes 2025, 12 cargoes 2026	1.5 years	2025	JKM
28-May-25	Cheniere	Canadian Natural Resources	140 MMcf/d of natural gas	15 years	2030	JKM
21-May-25	Guangzhou Gas Group	Mercuria	Heard to be 400,000 mt/year	5 years	2026	JKM, Henry Hub
21-Apr-25	Zhenhua Oil	Abu Dhabi National Oil Company (ADNOC)	800,000 mt/year	5 years	2026	JKM, Brent
27-Mar-25	CPC	Unknown	3 Jul, 2 Aug, 3 Sep cargoes	<1 year	2025	JKM
26-Mar-25	Shandong Order Group	Glencore	200,000 mt/year	3 years	2026	JKM

S&P Global
Commodity Insights

Source: S&P Global Commodity Insights

Platts JKM October update

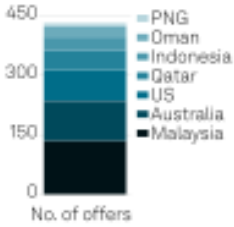
- The cash differential to the JKM balance-month contract averaged at a premium of 0.21 cent/MMBtu throughout the October pricing period.
- Platts, part of S&P Global Commodity Insights, assessed the October-delivery JKM at $11.36/MMBtu, down 4.48% month over month.
- Subdued demand for spot cargoes due to ample inventories depressed prices, with geopolitical uncertainty surrounding sanctioned Russian volumes also weighing on markets.

Platts JKM and balance month-next day cash differential ($/MMBtu)

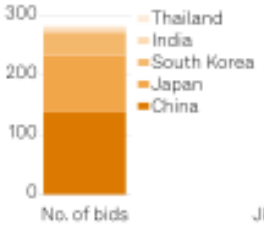
Cargo

Bids, offers and trades

Load ports



Discharge ports



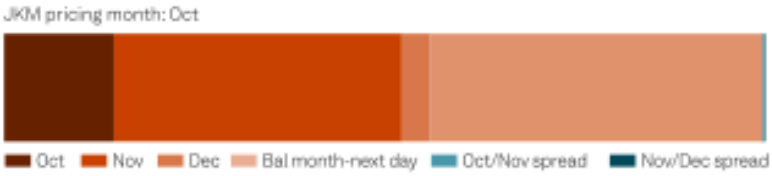
Pricing basis

- A total of 27 trades, equivalent to about 1.76 million mt of LNG, occurred during the Asia-Pacific LNG cargo Platts Market on Close assessment process.

Derivatives

Bids, offers and trades

Bids, offers and trades by contract



- The Asia-Pacific LNG derivatives MOC saw 467 trades, equivalent to 2.24 million mt of LNG cargoes in the October pricing period, up from 445 in the previous period.

Recently announced long term contract deals

Date reported	Buyer	Seller	Volume	Tenure	Start year	Pricing basis
22-Jul-25	PetroBangla	OQ Trading	5 cargoes 2025, 12 cargoes 2026	1.5 years	2025	JKM
28-May-25	Cheniere	Canadian Natural Resources	140 MMcf/d of natural gas	15 years	2030	JKM
21-May-25	Guangzhou Gas Group	Mercuria	Heard to be 400,000 mt/year	5 years	2026	JKM, Henry Hub
21-Apr-25	Zhenhua Oil	Abu Dhabi National Oil Company (ADNOC)	800,000 mt/year	5 years	2026	JKM, Brent
27-Mar-25	CPC	Unknown	3 Jul, 2 Aug, 3 Sep cargoes	<1 year	2025	JKM
26-Mar-25	Shandong Order Group	Glencore	200,000 mt/year	3 years	2026	JKM

S&P Global
Commodity Insights

Source: S&P Global Commodity Insights

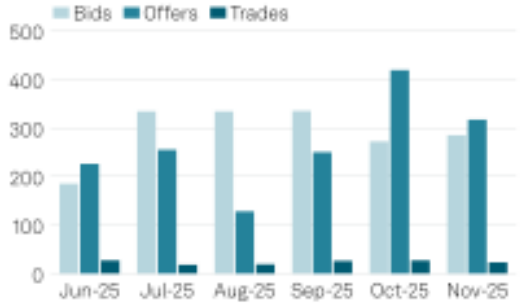
Platts JKM November update

- The JKM balance-month cash differential for Nov deliveries averaged at parity over Nov pricing period.
- Platts, part of S&P Global Commodity Insights, assessed the November-delivery JKM at $11.016/MMBtu, down 3.03% month over month and 15.97% year over year.
- JKM prices were weighed by muted demand during the shoulder season, although intermittent buying interest emerged among price-sensitive buyers during price drops.

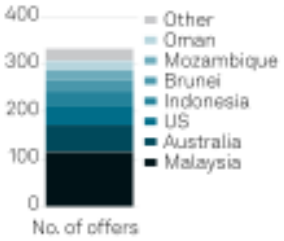
Platts JKM and balance month-next day cash differential ($/MMBtu)

Cargo

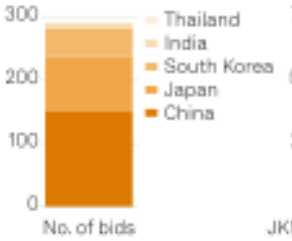
Bids, offers and trades



Load ports



Discharge ports



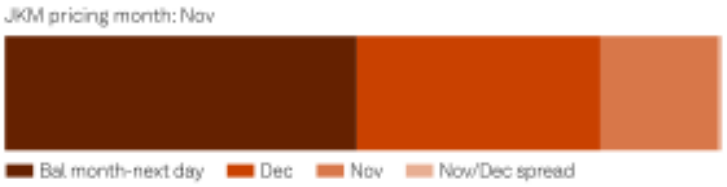
Pricing basis

- The Asia-Pacific LNG cargo Market on Close assessment process saw 23 trades for delivery into the JKTC region, equivalent to 1.49 million mt of LNG.

Derivatives

Bids, offers and trades

Bids, offers and trades by contract



- The Asia-Pacific LNG derivatives MOC saw 261 trades for the balance-month, October and November contracts.

Recently announced long term contract deals

Date reported	Buyer	Seller	Volume	Tenure	Start year	Pricing basis
25-Jul-25	Undisclosed	Ovintiv	Ovintiv will receive a percentage of JKM for 50 MMcf/d of gas	2 years	2026	JKM
22-Jul-25	PetroBangla	OQ Trading	5 cargoes 2025, 12 cargoes 2026	1.5 years	2025	JKM
28-May-25	Cheniere	Canadian Natural Resources	140 MMcf/d of natural gas	15 years	2030	JKM
21-May-25	Guangzhou Gas Group	Mercuria	Heard to be 400,000 mt/year	5 years	2026	JKM, Henry Hub
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S&P Global
Commodity Insights

Source: S&P Global Commodity Insights

These days, the Platts MoC process assesses >20 physical trades per month

It is hard to construct an apples-with-apples comparison of Abaxx and JKM traded volumes, since the two are very different beasts. Abaxx runs a regulated exchange where futures are traded and cleared through a central system, while JKM is a price assessment based on reported deals.

Abaxx counts standardised exchange trades, whereas JKM reflects a mix of reported bilateral activity, including real trades, quotes, bids and offers in both physical and derivatives markets. Understanding this fundamental difference between each process, as well as cash versus physical settlement, is key to deciphering the wider debate around the merits of each.

Cash vs physical settlement: A brief history

- At the heart of every futures contract is a simple question: how does it end? For centuries, the answer was physical delivery. A farmer would promise to deliver a specific grade of wheat to a specific warehouse, and a baker would promise to buy it. This direct, physical link between the paper contract and the real commodity was the foundation of the market.
- The core difference is straightforward:
- **Physical delivery**: The contract obliges the seller to deliver the actual, physical commodity (e.g., a herd of cattle, a thousand barrels of oil) to the buyer at a designated storage location. It's a tool for those who can handle the underlying asset.
- **Cash settlement**: The contract is settled with a cash payment. The payment is the difference between the final futures price and a separate, independently calculated 'cash index' price. It's a purely financial instrument for hedging or speculating on price movements without ever touching the underlying physical good.
- The shift towards cash settlement in the 1980s and 1990s was driven by a desire to reduce the costs and risks of physical handling. For commodities like livestock, cash settlement led to more stable futures prices and a less volatile basis (the difference between spot and futures prices). It also eliminated the risk of 'corners and squeezes', where a trader manipulates the market by hoarding the physical supply needed for delivery.
- Financialisation began with agricultural commodities and exploded with stock index futures. Today, cash is king: the vast majority of commodity contracts are cash-settled. The major exceptions are a few crucial pipeline-based trading hubs like

Henry Hub, West Texas Intermediate (WTI) crude, and Dutch TTF, and some metals. These work because the product is standardised and the delivery infrastructure is robust, and even in those cases most trades are still cash settled (>98% according to CME Group).

- However, the pendulum can swing back. A 2006 research survey detailed the case of Australian Individual Share Futures, which switched from cash to physical delivery to curb excessive speculation, demonstrating that physical settlement is sometimes preferred to strengthen the link between the futures price and the tangible asset.
- In any traded commodity, it is essential that the cash (spot) price and futures price converge at the expiration of the futures contract. In theory, physical delivery — or the mere *threat* of physical delivery — will ensure this happens. In reality it can fail, for example when the real-world cost of delivery exceeds the theoretical delivery cost embedded in the contract's rules.

LNG and its pricing proxies

This history sets the stage for the modern LNG market. Unlike crude oil, which has its own dedicated benchmarks, LNG has historically been priced through proxies. To this day, long-term contracts are often indexed to Brent, creating a fundamental disconnect between the price of oil and the supply-demand dynamics of natural gas.

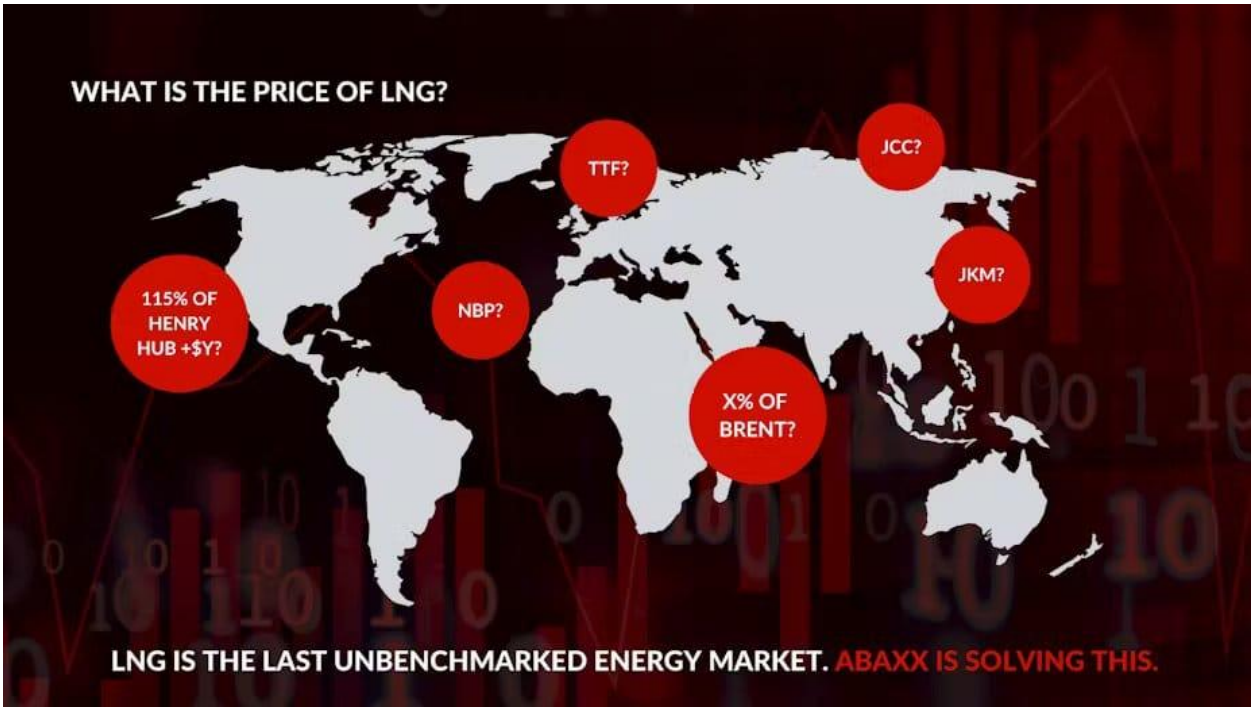
Then came Platts' JKM, the Japan-Korea Marker. Launched in 2009, JKM created the first major gas-on-gas benchmark specifically for spot LNG in Asia. Adoption took time, but today JKM is the most heavily referenced spot price for LNG on the water in the Japan-Korea-Taiwan-China region.

JKM is also embedded in many sales and purchase agreements, although uptake is inhibited by the inherent shortcomings of the MoC. Since prices are determined by a daily assessment of trades and bids/offers reported by a cosy club of LNG majors, critics argue this can be influenced by a relatively small number of transactions.

"For an established exchange to be unable to successfully launch a more granular LNG product is telling."

More recently, US-sourced LNG is priced on a Henry Hub cost-plus basis, locking Asian buyers into a North American price that doesn't reflect their local market. Meanwhile, spot cargoes are often indexed to European benchmarks like TTF, a pipeline gas hub whose volatility is driven by regional factors rather than global LNG fundamentals.

None of these proxies is perfect: pricing a global seaborne commodity using benchmarks for a different fuel, a different continent, a different infrastructure system, or one that's arguably susceptible to market concentration risk. The push for physically settled LNG futures, as championed by Abaxx, is a direct challenge to this entire evolution — a bet that the only true price for LNG is one born from the physical delivery of a cargo itself.



The benefits of going physical

"There isn't a physical futures underlying 99% of the index products that are out there. You really do have the tail wagging the dog." — Abaxx CCO Joe Raia

For Abaxx CCO Raia, the problem is one of foundation. He believes that a market ultimately built on physical molecules needs a price grounded in the same reality. Raia told *Energy Flux*:

"The market has moved away from physical settlement just because it's easier, from an exchange perspective, to develop and launch index-related contracts that aren't physically deliverable. There isn't a physical futures underlying 99% of the index products that are out there. You really do have the tail wagging the dog."

Meanwhile, the physical LNG market itself is split. On the one hand, long-term contracts offer security but rigidity: destination restrictions and limited opportunity for price discovery. On the other, bilateral over-the-counter (OTC) spot trades are flexible but opaque, and carry counterparty risk.

The perceived need for a transparent, flexible, and secure trading mechanism is the very void that a regulated futures exchange aims to fill. Raia continued:

"Whether it's a hurricane, a pipeline rupture or a tank explosion, force majeure events can and do happen. Under an OTC contract the buyer or the seller could basically say 'I'm going to make or take delivery at the agreed location anyway'. Or the counterparty could walk on a delivery, or go bankrupt.

"Under a physically settled futures contract, because you generally have flexibility in the delivery structure versus an OTC contract, the exchange is the buyer or seller of last resort. That gives certainty: the buyer and seller are still connected through the exchange and their clearing member to mitigate counterparty risk. The buyer is still going to have to perform under the exchange rules financially and physically. The clearing member stays in that process and guarantees the financial performance of the delivery under pain of severe penalties, whereas under an OTC contract [that] does not [happen]."

💡 **Explainer: How physical settlement works on Abaxx Exchange**

Abaxx has built what some LNG traders have long said they wanted but nobody has delivered: a paper market that can seamlessly translate into real cargoes. Its physically settled futures are designed so that a financial position can, at expiry, turn into a genuine transfer of LNG through the exchange's clearing system — without the chaos or curveballs that can plague bilateral over-the-counter (OTC) spot deals.

Each contract in their suite of three regional products represents 10,000 MMBtu, deliverable at LNG ports across the U.S. Gulf, Northwest Europe and North Pacific Asia. Anyone can trade these lots for financial exposure, roll them forward, or hedge like any other futures product. But physical delivery only becomes possible in bundles

of 350 lots, roughly equal to a standard 3.5 TBtu cargo. Holding that exact multiple is the first gate: you can't declare for delivery unless you do.

Five trading days before expiry, the clearinghouse begins scrutinising open positions. Traders must either pare down, roll over, or show they intend to go physical — in which case, their clearing members confirm they have the operational and credit capacity to follow through. This pre-expiry audit is one of the 'guardrails' Abaxx has built in to prevent last-minute surprises.

On the final day of trading before a contract expires, the final settlement price is based upon transactions occurring during the final 30 minutes of the session. This final settlement also sets the price to be paid at delivery in the final settlement process.

If you've declared for physical, the exchange steps in to match buyers and sellers anonymously. Sellers submit cargo origin, vessel and quality details; buyers submit discharge terminal preferences and slot availability. For the GoM contract, the inverse is true.

Within roughly 24 hours, the system pairs compatible nominations, producing a real trade: one cargo's worth of LNG, bound for an approved receiving terminal, to be delivered in a set window during the middle of the delivery month (typically between the 11th and 20th). Fixing the delivery period like this prevents gaming of the full-month price index and keeps logistics manageable.

Once matched, the process starts to look more like a standard physical deal, but with the clearinghouse sitting firmly in the middle.

One way to think of it is the way that holiday rental platform Airbnb mediates and manages risk between hosts and guests: the guest pays up front, but Airbnb holds the cash until two days after check-in to ensure everything goes smoothly.

On Abaxx, LNG buyers must pre-pay the full cargo value several days before delivery, replacing the usual LNG practice of payment post-discharge. The clearinghouse holds that cash, releases it to the seller once the cargo is confirmed, and guarantees both sides' performance. Variation and initial margin requirements fall away at this point because the entire notional value has already been posted.

The exchange's rulebook builds in the standard commercial machinery familiar from master sale agreements: force-majeure language, quality specs, and tolerance bands. Sellers can deliver within ±5% of the nominated cargo volume, with a further ±2% operational leeway at discharge to cover heel or boil-off. Those tolerances prevent trivial measurement disputes from gumming up settlement.

Anonymity is preserved throughout trading and matching. Counterparty identities remain shielded unless both sides need to coordinate directly on logistics, in which case operational contacts can be exchanged under controlled conditions. All the while, clearing members maintain oversight of client exposure and logistics readiness. If anything looks shaky, the clearinghouse can step in the event of there is a potential for non-performance.

Abaxx's market-makers and liquidity providers keep the screen active throughout the trading month, allowing funds and commercial players to roll or offset positions without getting dragged into physical delivery. The product is deliberately structured so that the vast majority of contracts will be financially closed out, with only capable counterparties carrying through to delivery. That separation is the safety valve that lets price discovery flourish without creating operational risk for casual traders.

The entire architecture — pre-expiry checks, mid-month delivery windows, prepayment, and embedded legal templates — is meant to impose industrial-grade discipline on what is otherwise an unruly physical commodity. Abaxx's pitch is that by hard-coding good practice into the futures framework, the market gains both credible price formation and a route to real cargo transfer when required.

It's not a theoretical instrument, although it may remain one if nobody can stomach being the first to go to delivery. The exchange-cleared mechanism has been engineered to withstand the unpredictability of the real world. Time will tell whether it holds up, breaks down, takes off, or is starved of liquidity.

Wall of scepticism

"If someone tells me that LNG… can be physically settled, I would say give it a go. But it is going to be very difficult." — Ciaran Roe, CCO of new energy ratings agency HySights

Abaxx has its work cut out convincing the market of its value proposition. Traders, brokers, and LNG experts canvassed by *Energy Flux* expressed a surprising amount of scepticism towards the viability of settling LNG trades via physical delivery.

Tricky product, incumbent advantage, 'fake' volumes

Ciaran Roe, CCO and co-founder of new energy ratings agency HySights, said pipeline gas and LNG are very different; gas loses some of the characteristics necessary for physical settlement when liquefied and loaded onto a cryogenic vessel.

"When looking at whether it is possible to have a physically settled delivery of a futures contract, what parameters do you need to ensure the legitimacy of the contract? Standardised logistics, quantity, and quality, a single delivery point, and product non-perishability, i.e. ideally something that's not boiling off. LNG does not score highly on those metrics.

"The only successful physically settled oil futures contract is WTI, which has a single delivery location, on land, with the same specification, same volume, via pipeline. It is very difficult to replicate that. If someone tells me that LNG, which boils off, varies in quality and

has numerous delivery points, can be physically settled, I would say give it a go — but it is going to be very difficult."

Roe was one of the chief architects of Platts' JKM during his 13 years at S&P Global, before launching HySights. He knows how hard it is to get a new index or exchange off the ground, especially when there is an established incumbent — such as the price assessment he helped create — to overcome.

"The key statistic is not the number of lots traded. If you pay someone enough, they will trade. But when you remove the market-maker stipend, will they still do so? The key indicator is open interest. Are there physical market stakeholders willing to get behind this, using it in contracts, saying it makes sense? If not, and the positions are being closed on the same day, it's just 'volumes for money'."

Standardise or die

A London-based natural gas broker, speaking on condition of anonymity, said he had been "quite excited" about Abaxx shaking up the market, but curbed his enthusiasm after speaking to traders who flagged "drawbacks that can't be overlooked":

"The lack of standardisation when it comes to delivery is a major one. You're dealing with ships and delivery windows rather than daily and hourly nominations that pipeline gas allows. Financial settlement of an LNG contract and the 15-day pricing window smooths out the arbitrage between the futures settlement and delivery, which a physically settled contract wouldn't.

"On the physical side the idea is that it can provide more bespoke hedging, however, in reality the market already offers that through the locational optionality through the likes of [French trading hub] PEG, [Italian hub] PSV, [Iberian hub] PVB etc... which offers significant near-term liquidity when it comes to delivery."

Litany of failure / too early / market too small

The failure of established exchanges to promote alternative LNG futures was a recurrent trope among doubters. A prominent example is the Singapore Exchange's SGX LNG Index Group (SLING), which was discontinued in 2019. Another is the Intercontinental Exchange (ICE) physically settled North-West and South-West Europe (NWE and SWE) contracts, which failed to gain traction.

Citing the ICE products, one market source said:

"I believe open interest is zero. For an established exchange to be unable to successfully launch a more granular LNG product is telling."

As the new kid on the commodities block, LNG will take time to find its true north price benchmark, the source added:

"I think the difference with crude is that LNG is still a nascent market in a time when pipeline gas futures are highly liquid and have a diverse userbase. So it's not an inherent feature of the product rather than the timing."

This was reiterated by a trader at an international oil company, who told *Energy Flux*:

"In a nutshell I am not convinced that these new contracts [Abaxx] have a bright future ahead of them given how small the market is compared to crude and how long it took for the JKM to become somewhat relevant. Even today some counterparts in Asia are reluctant to trade it."

The trader also questioned whether deriving final settlement from the last 30 minutes' trading activity is robust, saying: "How resilient is that to manipulation near expiry?"

Better tools ≠ guarantee of success

Melissa Lindsay, founder & CEO of OTC trading platform Emsurge, was more circumspect. She acknowledged that established pipeline gas hubs are "inadequate" and better price discovery mechanisms are clearly needed. But she emphasised that uptake is always a lengthy uphill struggle.

Anyone hedging US free on-board or north-west Europe delivered ex-ship cargoes on TTF or Henry Hub is "exposed to LNG supply-demand shocks", she said, but no NWE index has yet gained traction despite the evident merit in the idea.

Moreover, she remains unconvinced that Abaxx offers the solution — not least because her company is developing its own suite of tools. She told *Energy Flux*:

"At Emsurge, we've been in stealth mode but are building a platform to facilitate the more standardised trade of cargoes in key regions, with the end game of driving more liquidity in the physical and financial LNG markets.

"Abaxx have been going for years, it just takes a really long time to set up an exchange and launch products. It can take even longer to build liquidity in them. I struggle to see how the mechanism works beyond the hope no one carries the contract through to delivery. ICE in carbon had to get everyone in a room and net out positions as there was no supply come delivery into a contract it launched.

"Even if traders want to trade on Abaxx, they are likely to be facing months of onboarding and it's hard to make a business case for internal resources when nothing is trading. So it's very chicken and egg. Getting the first movers takes time.

"When we launched the Far East Financial Swap, that [later] became JKM ICE, we did something like 11 trades in year one. Now it can trade more than that in one day. It took six years to build any notable liquidity; we had to educate investment banks and IOCs on how they could use the swap to manage price exposure. So it's not just about the merits, it's about the feasibility, capital, time and perseverance companies have. Better tools in LNG are needed but it's a long game."

Heard it all before

For Abaxx CCO Joe Raia, these are all well-trodden arguments. In a candid exchange with *Energy Flux*, he acknowledged some of these reservations while playing down their importance, and dismissing others as irrelevant or simply misinformed.

He said the question of **standardisation** is fixed by the contract's ±5% volume flexibility and ±2% operational leeway. This accommodates differences in tanker capacity and aligns with ship sizes used globally in most LNG spot deliveries.

"When designing the contract, we received detailed input from more than 50 LNG market participants across the value chain — including producers, traders, portfolio players, and buyers — on delivery ranges, loading tolerances, quality specifications, and ship sizes. The result is a futures specification that reflects how LNG is traded in practice and aligns with established commercial standards."

On the most contentious question – **whether traded volume and open interest is 'real' or 'fake'** – Raia openly admitted that Abaxx incentivises market makers to provide liquidity. But this should not come as a surprise, he contends, because it is a standard approach to kick-starting adoption. NYMEX went to great lengths to create initial liquidity on their benchmark Heating Oil contract, and thanks to this "we have not only a NYHB HO market, but WTI crude oil, and HH natural gas".

The Abaxx CCO explained:

"There are real bids and asks in our markets every day that are transactable. Real transactions are happening, and positions can be carried through to delivery of the real physical cargo. In every sense that matters, our open interest and volume are 'real'. Are we incentivizing market makers to provide liquidity? Yes. And this is no different than any other market on all other futures exchanges worldwide.

"Initial liquidity is as important and essential to making a new market successful as is anything else. This initial liquidity from market makers is what allows commercial market participants to trade. And as the saying goes, 'liquidity begets liquidity,' so over time the

liquidity provided by commercial market participants will reduce (but not remove) the need for market makers."

So, why does Abaxx believe it can succeed where the likes of ICE, the Singapore Exchange and others have failed? If these efforts failed due to market-wide factors, or the tricky handling requirements of LNG, then doesn't this bode poorly for any new contender? Here, Raia was more nuanced:

"Launching a new futures contract is always challenging; historically, more have failed than succeeded. There are many factors that influence whether a contract gains adoption, and not all are within an exchange's control.

"Market conditions, volatility, lack of depth and diversity in participation, insufficient depth and diversity of deliverable supply and broader geopolitical or macroeconomic shifts can all affect participation and timing.

"Contract design, however, is one of the most important factors within our control. Our team has been involved in the design and launch of thousands of futures contracts over the course of their careers and has a deep understanding of what drives commercial adoption. We approached our LNG contracts with that experience in mind, ensuring every specification was built in consultation with the market itself."

On the question of **timing** and the **relative novelty of LNG**, Raia firmly believes conditions are ripe for adoption of physical settlement:

"Market conditions have now aligned to make a physically deliverable LNG benchmark both relevant and necessary. Typically, in the commodity markets, commodities transactions begin with long-term contracts, progress to bilateral trading in OTC markets, then eventually reach the state of maturity where a standardized futures contract becomes viable and necessary.

"With short-term and spot LNG trading rising to 40% of the market in recent years, and accounting for 146 million tonnes in 2024 according to GIIGNL's Annual Report, we believe the market is ready for a physically-deliverable futures contract."

'More than a longshot'

Perhaps the most sanguine assessment of the overall Abaxx/JKM debate came from a contact at a price reporting agency, again speaking on condition of anonymity. "Who knows if it [Abaxx NPA] will ever take off. But selling the new LNG wave the old way could be harder if [it fails]," he said, adding:

“JKM is good at what it is designed for: big players in a club. To join the MoC you have to be approved and pay. It is not an exchange in any classic sense on price discovery. Still, it is driven by submitted bids and offers, derivatives and paper on the screen.

“But say one of the supposedly new wave buyers starts trying to play in bigger ways. They will say, ‘this is not for us’. At the very least they need somewhat live price indications [that are] easily accessible. The standard contracts are not suited for this new trade expected. Also, it is expensive in admin costs down the line. This is not the case for many other energy products in Asia.

“Bottom line is LNG is a severely opaque market and many like it that way. The opportunity [to shake things up] exists, as it has for a while. Whether Abaxx or any other could get it rolling is more than a longshot, and yes, most people doubt it. Still, they have come pretty far on the admin side. A USP [unique selling point] is having a dollar denominated contract in Singapore, a rare bird so to speak, but in Asia and a financial hub more or less.”

Conclusion: faith in futures, or physicality?

So, the battle lines are drawn: between the tangible but untested guarantee of a physical cargo, and the nimble, liquid efficiency of a paper market; between a vision of a new foundation and a defence of a proven, deeply entrenched and exclusive system.

The debate ultimately crystallises around a single question: does the LNG market’s future lie in perfecting the financial tools that have enabled its growth, or in a back-to-basics return to physical delivery as the ultimate arbiter of price? For both sides, the ‘right’ answer is an article of faith as much as an objective, measurable reality.

Whether Abaxx’s physical gambit will trigger a pricing revolution or become a footnote in the history of JKM’s growing dominance remains the multi-billion-dollar question. For now, the market is watching and waiting. First, to see if the promise of a real cargo actually becomes a physical reality; and then, to see if that new reality can outweigh the immense gravitational pull of a tried-and-tested paper benchmark.

Seb Kennedy | Energy Flux | 7 October 2025