

## **Global Supply Chain Flexibility: The Role of Contracts in LNG**

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*(Preliminary) abstract :*

This paper studies how relationships governed by long-term contracts enable global supply chains to adjust to demand shocks. We show that, in the LNG industry, contracts are flexible enough to respond more than spot markets to weather-related demand fluctuations. Contract shipment surplus is shared with sellers to compensate them for forgoing spot markets at times of high demand and for exerting relationship-specific effort to deliver at these times. A counterfactual analysis that supplies all shipments to spot markets while holding quantities and final destinations constant suggests that adaptation within contracts contributed significantly to global LNG industry value between 2009 and 2019.