

# 26<sup>th</sup> World Gas Conference

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The US is helping to usher in a new gas reality

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## WASHINGTON WILL USE LNG AS AN OPPORTUNITY, NOT A WEAPON

- A new reality

The US is the world's largest natural gas producer for the fifth consecutive year and is likely to become the world's third-largest liquefied natural gas (LNG) exporter by 2020, behind Australia and Qatar

- The US will use its new-found gas superpower status as a tool but also as an opportunity

US gas will not only serve US economic and geopolitical interests, but also improve global gas markets to the benefit of the rest of the world

- The new gas order will increasingly look like the oil market

US gas boom is accelerating the new gas order and will influence its shape: Freer, market-oriented, and competitive



# A NEW GAS ORDER: an overview

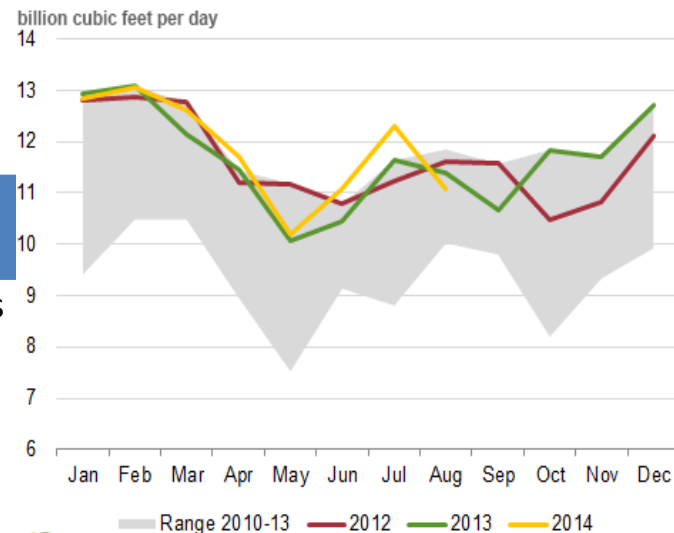
## Tight LNG market 2011-2014

- The post-Fukushima tightness favored sellers
- Oil-indexation continued to prevail in Asia
- Spot prices jumped as high as \$20/mmbtu in Asia-Pacific
- Four US LNG import terminals took FID to convert their facilities

## LNG surplus 2015-2020

- LNG surplus led by new Asia Pacific supply + 1st US Gulf Coast exports
- Lower pricing environment for both spot and long-term contracts
- LNG buyers have improved bargaining power
- Oil-indexation continues to lose its appeal
- The market is becoming more liquid: Spot trade is growing
- Cheaper LNG will help support demand and environmental agenda
- Not all US LNG will go to Asia, a lot will come to Europe and South America
- FID reluctance amid weaker market conditions

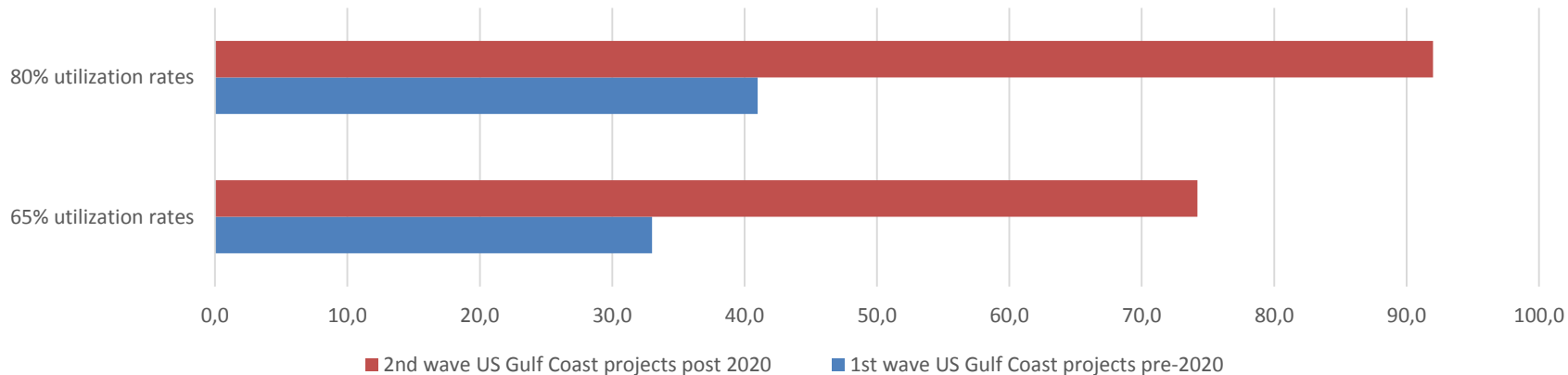
Japanese LNG imports, 2010-14



# US new-found gas superpower

## US becomes world's third largest LNG exporter by 2020 (mtpa)

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World's top LNG exporters by 2020 (by nameplate capacity)			
Top 3	Countries	bcf/d	mtpa
1	Australia LNG by 2020	11.3	85.0
2	Qatar LNG in 2015	8.7	78.0
3	US LNG by 2020	6.6	51.0

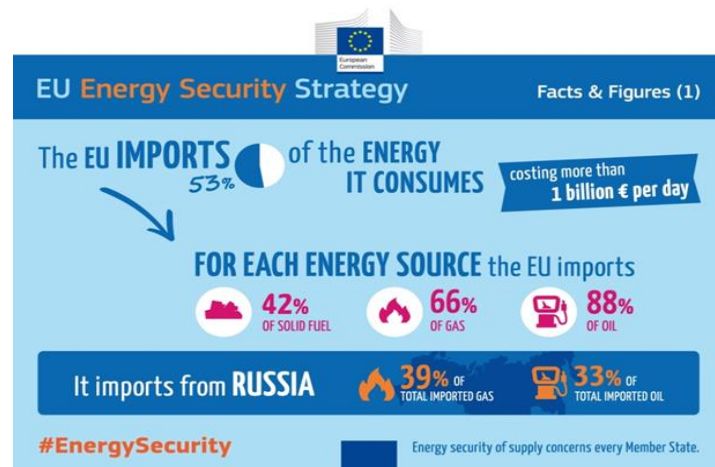
# The geopolitical use of US LNG

The ongoing crisis with Russia in Ukraine has bolstered the Administration's case for project approvals as a symbolic challenge to Russia's dominance of the European gas market

**US LNG to the rescue?** Europe will be one of the main beneficiaries of US LNG, but Russia will remain Europe's main gas supplier through next decade. US LNG will bring diversification and greater bargaining power to European consumers

Congress will approve the streamlining of the regulatory process in 2015

It will provide a symbolic boost to US exports



# US LNG paves the way to a true competitive market

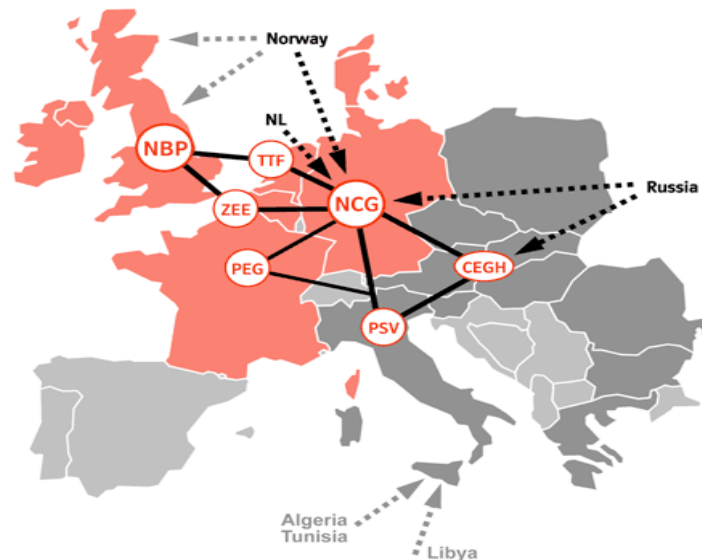
## Revolutionary in pricing

- Henry-hub linked US LNG diversifies pricing exposure for buyers and sellers
- Oil-indexation loses appeal even in a lower oil pricing environment

Swing supplier and back-up supplier in time of shocks

## Revolutionary in flexibility

- US LNG is not bound to any market, it is free of destination clause
- US LNG will be traded and swapped



**Developing  
a Natural Gas  
Trading Hub  
in Asia**

# US LNG brings other positive externalities

## US LNG will stimulate appetite for gas, a boon for climate

- It could accelerate the switch from coal or fuel oil to natural gas in power generation
- However, there will be wide regional variations within the expanded global LNG demand and competition with other fuels will be fierce

## US LNG is an opportunity for cooperation (China as an example)

- China will be one of the primary beneficiaries of US gas exports through third-party suppliers
- Beijing is also exploring a market-based strategy in line with other energy actors in its region and beyond. Shanghai is keen on promoting itself as the future Asian gas hub





# Limitations and risks of US gas

Success relies on continued shale gas supply growth, which means a lasting social license to operate

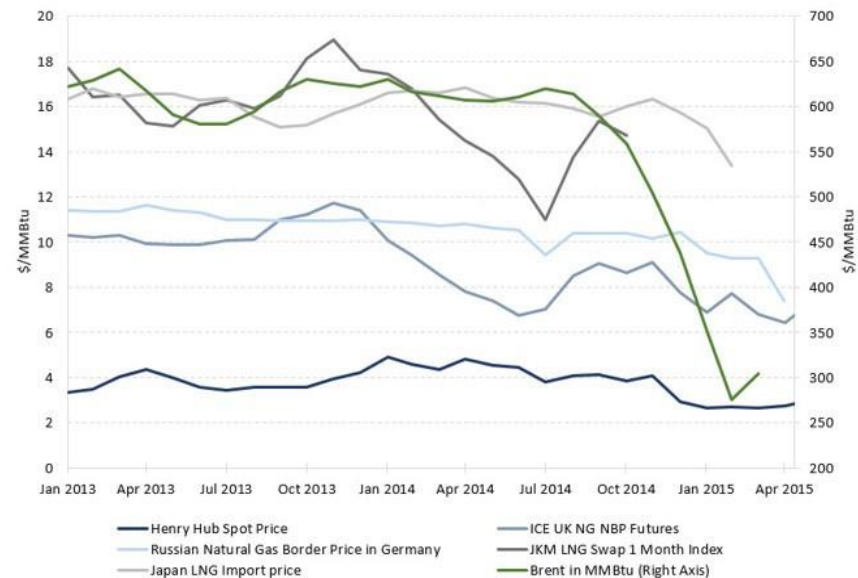
The current pricing environment, with Brent around \$60 a barrel and Asian spot prices at \$7-8/mmbtu, could challenge the economics of US LNG

The business model of US LNG exports, especially for shipment to Asia, could be at stake whenever regional gas prices converge

Weaker investment outlook in LNG liquefaction plants worldwide could postpone FIDs in the US LNG play beyond the projects that have already been sanctioned

Convergence of Regional Natural Gas Prices

Source: Bloomberg





# CONCLUSION

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The revolution in US shale production has brought a lot of good news for the US as it confers economic, environmental and security benefits.

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Dependence on imported oil and gas is falling, natural gas prices are drastically lower, and the ability to export excess energy supplies creates foreign policy opportunities.

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US gas will create major benefits globally because Washington's main intention is to improve global energy security by increasing diversity while liberalizing and lowering prices for consumers.

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US gas could be a positive transformational force for generating more efficient and liberalized markets, cooperation, development, and economic growth — which is in everyone's best interest.

# THANK YOU

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