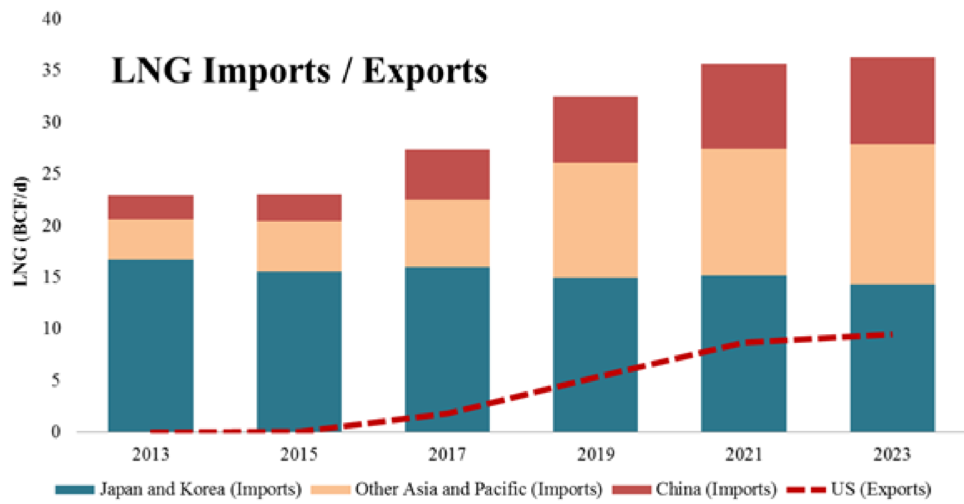
Consultants in Energy, Power and Renewables

2018 V.4

Growing LNG Exports May Not Boost Electric Energy Markets

Asia is expected to capture 70% of liquified natural gas ("LNG") global import market share in the coming decade as demand growth shifts from traditional LNG markets in Japan, South Korea, and Taiwan to China, India, and Southeast Asia. The graph shows surging demand in China and other high-growth Asian markets, driving a 45% increase in LNG imports by 2023. This increase will be largely supplied by U.S. producers via expanded infrastructure. Consider that domestic LNG export capacity is currently 4 billion cubic feet per day ("Bcfd"), but will grow fourfold with ten additional export terminals that are either already under construction or already approved by regulators.



In a constrained domestic market, growing LNG exports would reasonably lead to increased natural gas prices and the accompanying rise in electric energy prices would benefit renewable and baseload power projects. However, the extent of any resulting market pressures depends on how supply and demand parity (or disparity) unfolds. The Commodity Futures Trading Commission and Department of Energy currently project only modest long-run natural gas price increases, as production costs remain low and domestic producers are able to respond quickly to market demands. In fact, the International Energy Agency projects that U.S. natural gas production will increase by 15 Bcfd by 2023, offsetting exports and domestic demand growth. So while Asia may be bidding for North America's natural gas, U.S. drillers and frackers are likely to be the biggest beneficiaries absent new regulatory or environmental constraints.

DAI Services

- Appraisal
- Independent Engineer
- Cost Segregation
- Market Analysis

DAI Management Consultants
One Veterans Way, Suite 200
Carnegie, PA 15106

p(412) 220-8920

f(412) 220-8925

www.daimc.com

View this newsletter and historical issues on our webpage.

Newsletters are electronically distributed. If at any time you wish to unsubscribe from future newsletter mailings, simply reply to this message and type the word "unsubscribe" in the subject line.