

As US LNG capacity rises, experts point to competition for gas, pipelines

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Theme Energy

The anticipated surge in liquefied natural gas export capacity along the U.S. Gulf Coast will cause waves in the Southeast market, requiring more pipelines to be built and forcing other types of gas buyers to prepare for increased competition for supply, industry observers said at a regional gas conference.

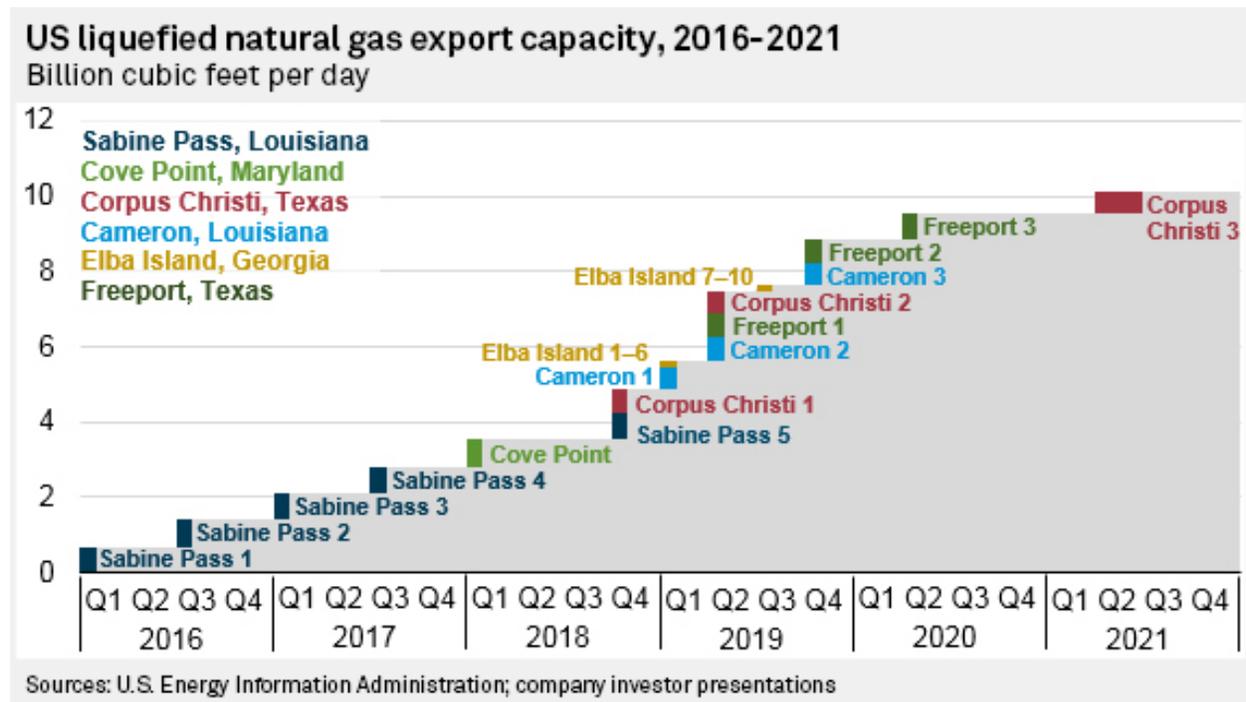
"This competition should really spur reassessment," Global Energy Research Advisors Managing Director Teri Viswanath said April 15 during a presentation at the LDC Gas Forum Southeast in Atlanta. "We know that we have more than enough gas. We know that story. But ... deliverability is critical."

U.S. LNG export capacity is climbing toward 9 Bcf/d this year as many of the remaining projects in the first wave of investment prepare to bring units online, which will more than double the export capacity of the U.S. a year ago. The terminals will intensify the shift in the Gulf Coast from a source of gas supply to a growing sink for new production.

Planning for the increased competition for gas and the need for additional pipeline capacity will become even more critical as the second generation of LNG export developers seeks to add LNG production capacity concentrated largely in the U.S. Gulf, experts at the conference said. The LNG industry's growth could collide with increased demand for gas in the power sector unleashed by accelerated coal and nuclear plant retirements.

The first wave of LNG export projects on the Gulf benefitted from a robust gas pipeline network that had been developed to move the region's production and import gas, before the shale revolution released massive quantities of the resource in other locations. Cheniere Energy Inc.'s Sabine Pass export facility, which became the first to ship LNG from the U.S. mainland in February 2016, was added to an import terminal, and the three new terminals expected in 2019 were also adapted from import facilities. But not as much pipeline infrastructure exists to

support second-generation LNG facilities, many of which would be built from the ground up.



"The first wave has been, except for short pipes, more or less able to use what was lying around," RBN Energy Managing Director Rick Smead said in an interview on the sidelines of the conference.

"Because, if you think about the Gulf Coast infrastructure, it was built to take 26 Bcf/d of offshore gas north, so you have these gigantic lines," he said. "Once you are in the situation where you are moving gas down there from somewhere else, there's a lot of flexibility, a lot of ability to do it. And at some point, you start using that up."

LNG developers that build their own dedicated pipelines end up helping protect existing customers from the LNG loads while adding reliability and optionality to the regional gas system, Smead said.

"Basically you've got the biggest gas [buyers] in the United States all concentrated in one place," Smead told conference attendees in a presentation. "You've got to be really careful about the pipeline capacities."

As the liquefaction capacity at the U.S. Gulf continues to grow, buyers will need to adapt to changing flows from gas production basins such as the Haynesville Shale

of East Texas and Louisiana. Gas production in these plays will increasingly be committed within the region, Viswanath said.

Viswanath said a critical gas transportation project is the Atlantic Sunrise pipeline expansion, which added about 200 miles of pipeline to the Transcontinental Gas Pipe Line Co. LLC system in Pennsylvania, among other facilities. The expansion moves an incremental 1.7 Bcf/d of Marcellus Shale gas to markets in the mid-Atlantic and Southeast. But the market is not building enough of these projects, Viswanath said.

"Infrastructure is so important for the second wave of power or LNG," Viswanath said in an interview. "The first we could do with what we have. The second, we can't."

