News : US Gulf Coast LNG terminal outages to tax pipelines, markets: execs

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- Weather can cause export terminals to push gas back into market
- Storage can help, but utilities, industrials need it, too

US Gulf Coast LNG export facilities are bringing the domestic natural gas industry welcome demand, but simultaneous terminal outages could strand supplies and cause infrastructure and market headaches, according to executives.

Gas industry executives attending LDC Gas Forums' Gulf Coast Energy Forum conference earlier this week mulled what might happen if the LNG terminals, some of which share a port or channel, are forced to halt or significantly curtail feedgas deliveries for reasons such as a hurricane, restrictions on port vessel traffic or an unexpected problem with a gas liquefaction train, sometimes referred to as a "train trip."

Export plants clustered on the Gulf Coast are absorbing more and more cheap gas. But with LNG export growth and the increase in the use of regional pipelines comes the potential for greater gas price volatility and for deliverability challenges, executives told the New Orleans conference. A significant unexpected outage at LNG facilities could back up the gas transportation network, they said.

"With these trains, it is like you're adding whole utilities at a time in terms of the annual load," Southern Company Gas President of Storage and Fuels Tim Hermann said in an interview on the sidelines of the conference. "It's a lot of load, without the same ability to forecast."

There have been days already in 2019 when terminals had to push gas back into the market because of weather, said Vince Morrissette, commercial director at Australia's LNG Ltd., the developer of the proposed Magnolia LNG terminal in Louisiana. "You multiply that times three or four, you are really going to test the system down there," he said.

"The biggest risk there is going to be on those foggy days and those stormy weather days when those ports are shut down," Morrissette said.

The combined capacity of the six operational LNG terminals in the US, which include a facility in Georgia and another in Maryland as well as those on the Gulf Coast, is over 6 Bcf/d. That capacity will continue to climb as additional trains come online next year.

Representatives of large pipeline companies, including Energy Transfer, Enable Midstream Partners and Enbridge, said managing a large volume swing will be a challenge.

The pipeline grid might have to lean on underground gas storage facilities, but this option is complicated by the fact that other types of pipeline customers, including utilities and industrial customers, need storage too, Jonathan Ochoa, senior director of commercial optimization and market fundamentals at Energy Transfer, said in an interview on the sidelines of the conference.

"LNG, from the standpoint of managing their business, they are just going to compete with storage that other users are going to be utilizing," Ochoa said. "They are not going to utilize all of the storage themselves. There is a lot of gas."

It was less clear whether the market will incentivize investments in facilities to help manage disruptions.

Dedicated pipelines

LNG developers that build their own dedicated pipelines can add reliability and flexibility to the regional gas system, industry observers said.

Sempra Energy is developing pipelines for its proposed Port Arthur LNG export terminal in Texas.

"This is about controlling our own destiny," said Jim Diemer, regional vice president of midstream commercial development at Sempra LNG. "We feel it's extremely important, and the Port Arthur pipelines that we intend to build for this will provide that balancing service automatically ... People should be able to cover a train of capacity, essentially injection and withdrawal, in order to deal with these unplanned outages."

The upcoming winter could prove instructive about the sort of issues that could arise once LNG facilities are running full throttle and about the improvements needed for the Gulf Coast gas grid, Hermann said.

As it stands, a warm winter forecast for most of the US and healthy gas storage inventories are expected to slightly lower heating demand this winter compared with last, according to the US Energy Information Administration's 2019-2020 winter fuels outlook. Another outlook by the Natural Gas Supply Association forecast total gas supply of 109 Bcf/d to keep pace with historic demand. The association predicted 8.3 Bcf/d of net LNG exports would help soak up supplies during the upcoming winter, up 4.5 Bcf/d year on year, and includes new trains expected to come online.

"If it is a mild, uneventful winter and the plants run pretty smoothly, I don't think we are going to see what that full effect could be," Hermann said. "But if we do get some volatility and we do see some plant issues ... then I think we are going to get a real good indication of where we stand in terms of storage."