DC.LDCGAS10AM.CM.26.10

CCs:

By: CARLOS MALESPIN
Editor/Content Strategist

DIGITAL CONTENT

Global supply disruptions reshape demand for U.S. LNG

Geopolitical instability is changing how international buyers approach LNG contracts, creating new opportunities for U.S. exporters. Disruptions in the Middle East have exposed vulnerabilities in established supply arrangements, prompting European and Asian customers to reconsider where they purchase LNG.

During a panel discussion at the annual LDC Gas Forum in New Orleans, industry executives examined how shifting purchasing strategies are influencing future export developments and agreements

Keith Shoemaker with Coastal Bend commented on the recent developments involving Iran and the Strait of Hormuz and how they have intensified international interest in diversifying LNG supplies. The disruptions have heightened concerns about depending heavily on individual producing regions, particularly ones embroiled in geopolitical conflict.

"Obviously, there's more interest in our project now than there was before and that's a positive thing for the U.S. gas industry," Shoemaker said.

Vince Morrissette with Glenfarne LNG pointed to the interruption of Qatari LNG production as an example of how quickly established supply arrangements can change. Qatar had maintained consistent production before the disruption, leaving customers accustomed to dependable deliveries.

One of the bright spots amid all the uncertainty is the renewed commercial appeal of U.S. LNG projects. Morrissette expects international buyers approaching contract expiration to reconsider their geographic exposure and seek suppliers outside major maritime chokepoints.

James Fowler with Sempra Infrastructure highlighted how LNG facilities along the Gulf Coast and Mexico's Pacific Coast provide additional options for international customers. Pacific export capacity allows shipments to reach Asian markets without passing through the Panama Canal, reducing transportation costs and avoiding another potential bottleneck.

"You can meet demand wherever it comes from, whichever market you're trying to get into," Fowler said.

Changing markets changes contracts

Although long-term contracts remain essential to financing export facilities, some customers are pursuing shorter commitments. Fowler pointed out that while certain buyers continue seeking price certainty through traditional agreements, others prefer more agile contracts, lasting five years or less.

European customers face additional complications from evolving methane regulations. Uncertainty surrounding future compliance requirements can make lengthy purchasing commitments difficult, even when buyers want to secure additional supply.

For developers, accommodating these preferences must be balanced against financing requirements. Shoemaker explained that advancing an LNG project toward an FID generally requires substantial volumes committed under long-term sales agreements. He said his project requires agreements covering at least 80% of its nameplate capacity for 15 years to obtain financing.

The challenge reflects a broader transformation in international LNG trade. Projects require decades of financial certainty, while buyers must account for changing market conditions that could alter their purchasing needs. According to Fowler, the industry has already moved beyond the rigid commercial arrangements that characterized its early development. Modern contracts increasingly account for regulatory obligations and potential disruptions that could affect deliveries. Those provisions have become particularly relevant as buyers assess the consequences of geopolitical instability. Morrissette noted that agreements have grown more complex as companies seek protection against risks that were less prominent during the industry's early expansion.

As new U.S. export capacity enters development, reconciling financing requirements with changing buyer expectations will determine which projects advance. Recent supply disruptions have accelerated that process, placing greater scrutiny on the commercial terms underpinning the next generation of LNG facilities.

For more information, visit ldcgasforums.com.