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Midstream buildout in US Gulf to feed LNG boom

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Boston, 13 June (Argus) — A wave of new natural gas pipelines and expansions are planned through 2025 along the US Gulf coast a producers prepare for LNG export capacity to come on line, Macquarie managing director Kevin Little said today at the Northeast LDC Gas Forum in Boston, Massachusetts.

Macquarie expects more than 12 Bcf/d (340mn m3/d) of new pipeline capacity through August 2025 in the region. The new capacity is targeting LNG terminals, with US LNG export capacity expected to double over the next 10 years (https://www.eia.gov/outlooks/aeo/data/browser/#/?id=76-AEO2023&region=0-0&cases=ref2023&start=2021&end=2040&f=A&linechart=ref2023-d020623a.3-76-AEO2023~~ref2023-d020623a.10-76-AEO2023&map=&ctype=linechart&sourcekey=0).

Though growth in those basins naturally benefits from their proximity to planned LNG export terminals — most of which will be built in Texas or Louisiana — it also fills the void created by constraints on Appalachian production. The lack of pipeline infrastructure coming out of the Marcellus and Utica shale basins is not expected to change, Little said.

One exception is the 2 Bcf/d West Virginia-to-Virginia Mountain Valley pipeline, which looks increasingly likely to be completed because the US Congress tied the issuance of its federal permits to the debt limit agreement, which President Joe Biden signed into law on 3 June.

"If it takes an act of Congress to build a pipeline [in Appalachia], nobody is building a pipeline," Little said.

The bullish outlook for Gulf pipeline capacity has resulted in US gas producers' muted response to low prices, as expectations for new LNG export capacity lend strength to the forward curves. Idle too many rigs now, and producers could find themselves back where they were for much of 2022 when prices were high and they could not get production on line fast enough.

Nymex gas for July delivery at the Henry Hub yesterday settled at $2.266/mmBtu. The 2024-calendar strip settled at $3.399/mmBtu, while the 2025-calendar strip settled at $3.895/mmBtu.

Gas pipelines are easier to build in Texas and Louisiana than in Appalachia partly due to a more lax regulatory environment, and because pipelines in those states are mostly intrastate, so they are not open to federal scrutiny.

Pennsylvania, West Virginia and Ohio are neither large population hubs nor close to planned LNG export terminals. That makes growth in Appalachia dependent on the approval of new interstate pipeline capacity.

Less US interstate gas pipeline capacity was added in 2022 (https://www.eia.gov/todayinenergy/detail.php?id=55699) than in any year on record, according to the US Energy Information Administration, which began data collection in 1995.

By Julian Hast

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