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Eastern US gas buyers pivot to onsite LNG

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Boston, 15 June (Argus) – Utilities that purchase natural gas in the eastern US have become increasingly interested in alternatives to pipeline transmission as the outlook for regional pipeline expansion worsens.

Storing LNG at or near power plant sites for use in peak demand is chief among the alternatives being considered, several utilities said this week at the Northeast LDC Forum in Boston, Massachusetts. While the practice is expensive, it is often the best option when gas and power demand are high and there is insufficient pipeline capacity.

"We feel like we need to take some of our destiny into our own hands and develop a delivery solution for that peak demand need that we can control," said Tim Sherwood, vice president of gas supply operations at Southern Company, a gas and power utility with gas generation assets in the southeastern US.

A lack of confidence in future pipeline construction is acute in the eastern US, where state and federal regulators have repeatedly denied permits to build new interstate gas pipelines. The challenge has led some analysts to conclude that, aside from the 2 Bcf/d West Virginia-to-Virginia Mountain Valley pipeline, no new interstate pipelines will be built in the eastern US for years to come.

Part of the solution for Southern was to expand its Cherokee LNG storage facility north of Atlanta, Georgia, by 2.5 Bcf (71mn m³), as well as increasing its regasification capacity for turning LNG back into a gaseous state for power plant combustion, Sherwood said.

Southern was an equity partner in the \$8bn Atlantic Coast Pipeline (ACP), which would have brought 1.4 Bcf/d of gas from West Virginia to Virginia and North Carolina. The project was canceled in 2020 after lawsuits brought by environmentalists and landowners helped increase the cost of the project from \$5bn to \$8bn.

Gas and power utility Duke Energy, which had a 47pc stake in ACP, started plans for a 1 Bcf LNG storage site in North Carolina in 2018, when construction on ACP was put on hold while awaiting permits. That facility came on line in 2021.

"We looked after ACP for what to replace ACP with, and it wasn't another pipe – it was on-system LNG," said Sarah Stabley, managing director of gas supply optimization and pipeline services at Duke Energy.

By Julian Hast

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