US LNG growth seen stoking price volatility

Ponte Vedra Beach, 17 April (Argus) — Natural gas prices in the US and globally will face greater volatility because of LNG export expansions along the US Gulf Coast, according to speakers at the Southeast LDC Gas Forum in Ponte Vedra Beach, Florida.

LNG export capacity from the US, already the largest provider of LNG into the global market, is set to expand in the coming years, putting an important source of global supply in the path of hurricanes and exposed to pipeline disruptions from key supply areas such as the Permian basin in west Texas and southeastern New Mexico.

US baseload LNG export capacity was forecast to increase by the end of 2025 to about 16.7 Bcf/d (473mn m^3/d), up by 46pc from the 11.4 Bcf/d of capacity at the end of 2023, according to the US Energy Information Administration (EIA).

US LNG production by 2030 will meet about 5pc of global gas demand and 30pc of global LNG demand, Jill Davies, general manager of North America LNG Trading at Shell Energy, told attendees today at the conference.Most of those supplies will depart the US from the Gulf coast.

That means a disruption in US exports could cause global prices to rise or domestic prices to crater.

More pipelines and storage would allow LNG export terminals to access supply from different regions, defraying some of the price risk, according to speakers at the conference.

The potential price volatility highlights the need for greater US political support for new gas infrastructure, Davies said on the sidelines of the conference.

Pipeline projects aiming to connect key producing areas to growing demand centers have failed to clear regulatory hurdles in recent years, raising concerns about the potential for supply growth from prolific fields such as the Marcellus and Utica shales.

Prices in the US market can also soar on supply disruptions or plunge on downtime at LNG export terminals. Prices have faced downward pressure this spring from ongoing maintenance at the 2.1 Bcf/d Freeport LNG export terminal in Texas. An extended, eight-month-long shutdown of that terminal that began in the summer of 2022 caused prices to fall by backing up supply into the US market.

Producers that gain more exposure to exports and, in turn, the global market could "face a tenuous situation when a hurricane stirs up in the Gulf," Zach Inman, vice president of origination for BP said during a panel discussion Wednesday.

By Jason Womack