[US LNG producers try to manage in ‘tough’ market]

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Washington, 23 October (Argus) — LNG Limited, Cheniere and other companies seeking to build a second wave of US LNG export facilities are exploring new ways to finance their projects amid trade headwinds and permitting hurdles.

President Donald Trump's ongoing trade war with China and a projected oversupply of LNG that has suppressed prices are among the top obstacles for those developers. Those factors have made it harder for US LNG companies to follow the industry's typical model of developing projects, in which financing is secured after getting buyers to sign binding long-term purchase agreements.

"From a developer standpoint, the market is still very tough," said LNG Limited chief executive Greg Vesey yesterday at an energy conference in Washington, DC. The company is seeking to build its 8.8mn t/yr Magnolia facility in Louisiana. "This is not a game for the timid."

Despite those headwinds, US developers this year made final investment decisions on three major projects. Venture Global said it would move ahead with its 10mn t/yr Calcasieu Pass facility in Louisiana after securing binding contracts for 80pc of the project's capacity. Qatar Petroleum and ExxonMobil self-financed their 15.6mn t/yr Golden Pass facility in Texas. Cheniere was able to use a lower debt ratio to build the $3bn train 6 at its Sabine Pass LNG facility in Louisiana, after building up equity.

US gas industry officials were counting on growing demand from China, which is expected to overtake Japan as the largest LNG importer by 2024, to support new facilities. China accounted for nearly 15pc of US LNG exports in 2017, but exports have plunged since the trade war began last year. China has put a 25pc tariff on US LNG and has not imported a cargo since March.

LNG Limited last year had made a "big push" into China but struggled to gain traction as a result of ongoing trade disputes, its chief executive Vesey said at Energy Dialogues' North American Gas Forum. The company instead was able to reach an agreement to sell Vietnam 2mn t/yr from its Magnolia project, accounting for about a quarter of the project's capacity.

Cheniere is pursuing options to support its proposed projects. This summer it signed a long-term deal where US independent Apache agreed to supply 135mn cf/d of gas to Cheniere's proposed expansion of its Corpus Christi LNG plant in Texas. Last month it signed a deal to eventually buy 425mn cf/d of gas from US independent EOG Resources.

"We see a new supplier push changing the way we are thinking about selling LNG and natural gas," Cheniere's senior vice president of federal affairs Christopher Smith said at the conference.

US LNG producers say one likely source of rising demand will come from coal-to-gas switching driven by emission reduction goals under the Paris climate accord. But the industry has struggled to maintain its green reputation amid an uptick in methane emissions and a surge of flaring in the Permian basin and other oil producing shale regions.

Critics say the Trump administration has undermined the industry's marketing as a cleaner energy source by dismantling rules limiting methane emissions and natural gas flaring. Some LNG industry officials say it would be to the industry's benefit to proactively install equipment necessary to curb emissions.

"We sometimes cry wolf for no reason," US LNG developer Tellurian's senior advisor Octavio Simoes said. "If we don't adjust, we will become a dinosaur."