

Roth: LNG Export Opportunity

The global demand for liquefied natural gas continues to grow, and the United States is in prime position to become a leading LNG exporter.

Countries that lack a domestic natural gas supply must turn to LNG for their energy needs. Natural gas must be liquefied before it can be exported without pipelines. Once liquefied, LNG is shipped in tankers to the countries that purchase it. Several Asian countries, including Japan and South Korea, rely heavily on imported LNG. Japan and South Korea are the world's largest LNG importers.

While the game-changing shale revolution in the U.S. has dramatically increased domestic natural gas production and made our natural gas extremely affordable, this is not the case throughout much of the world. In 2012, natural gas was \$2.76 per million British thermal units in the U.S., compared to \$11 per mmbtu in Europe and about \$15 per mmbtu in Japan and South Korea.

The U.S. has a tremendous opportunity to capitalize on the worldwide demand for natural gas by increasing our capacity to export LNG. Currently, Japan receives much of its LNG from countries like Qatar, but this trend is starting to change. Both Japan and South Korea have recently made deals to purchase gas from American LNG terminals. In some cases, the two countries have offered to help cover the development costs for expensive LNG terminals.

Likewise, Australia and Canada are building more LNG terminals to increase export capacity. This seems like an expensive proposition for them, but when you look at the enormous price margins at play you realize they will recapture their capital investments very quickly.

Increasing our LNG exports would allow the U.S. to share its

abundant, affordable natural gas with the rest of the world. It would add jobs to our economy. For example, Exxon Mobil is planning on building an LNG plant and terminal in Alaska that would employ 3,500 to 5,000 people. America could have the world's largest LNG export capacity if all of the currently proposed U.S. LNG terminals were completed.

Although increasing LNG exports would provide many benefits to the U.S., doing so is a somewhat complicated process. For one thing, LNG export facilities must receive government approval before they contract to send LNG to non-free-trade countries. This can be problematic since South Korea is the only major LNG importer that has a free-trade agreement with the U.S.

However, the Obama administration has allowed four LNG terminals to export to non-free-trade countries, suggesting that this difficulty can be overcome. Another potential concern is that a dramatic increase in LNG exports could cause domestic gas prices to increase somewhat. Finally, LNG terminals are extremely expensive, so this can be an obstacle to increasing export capacity. But as mentioned, two countries, Japan and South Korea, have already offered to cover some of the development costs of LNG terminals, suggesting that the market will take care of cost concerns.

Even though increasing LNG export capacity will be a complicated process, the many benefits outweigh the few drawbacks. Sharing our abundant and affordable natural gas with the world will boost the U.S. economy while providing other countries with more affordable, clean energy, a win-win for all involved.