

## BCA Market Perspective ©

### Why the U. S. is Becoming a Global Gas Superpower January 2013

The United States is positioned to become a global gas superpower, due to the development of economically recoverable shale-gas deposits in North America. Advances in horizontal fracturing technology and large capital investments have increased domestic gas production by 20% since 2006. A boom in U.S. exports improves the domestic economy and national security. America's allies in Europe would be less dependent on Russia and Qatar. America's workers and heavy industries benefit, along with improving tax revenues to local, state and Federal governments.

The abundance of low cost natural gas has made America a low cost manufacturer. Gas powers factories and is used to make chemicals for resins, plastics and containers. Power companies are replacing coal and oil fired plants with natural gas. In fact, natural gas not only heats buildings and homes, but will be used to power home-use electric generators to charge electric cars. More infrastructure, such as Master Limited Partnerships (MLPs), will be needed to transport natural gas to coastal area terminals.

Natural gas may be chilled and condensed into liquefied natural gas (LNG) and shipped by tanker around the world. The market price in Europe and Asia is \$14.5 per million British thermal units (BTU), considerably higher than \$2.3 here at home. The process of liquefying natural gas and transportation adds \$4 to \$6 to the landed price.

Europe, Asia, Japan and India all welcome access to U.S. LNG. It diversifies sourcing, thereby keeping prices more stable and predictable. In post-Fukushima Japan, growing LNG imports are needed to offset the reduced reliance on nuclear power.

The first Department of Energy (DOE) permit allowing for the export of natural gas has been granted. The facility under construction in Louisiana will be operational in 4Q 2015. It is ironic that this Sabine River location was the home of LNG imports from Indonesia in the 1980s. Fifteen additional export permits are being reviewed by the DOE, but without a fight. While the DOE favors such permits, American manufactures and consumer advocate groups are concerned that exports will drive up local prices.

Current consensus estimates the U.S. will export six billion cubic feet per day of natural gas by 2020 – equivalent to 16% of current U.S. production or 8% of world production, a rank of third behind Australia and Qatar.

With its power to grant permits and set environmental regulations, the Obama Administration will have the final say whether or not the U.S actually becomes a global gas superpower.

