Leading the Second Wave of US LNG Exports & Challenging the Traditional LNG World Paradigm

Langtry Meyer
Founder & Chief Operating Officer
Texas LNG

Stanford Natural Gas Initiative
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Introduction

- Independent Company
- Port of Brownsville
- 2 Phases: 2 X 2 MTA
- Phase 1 Operation 2022
The LNG World Paradigm is Shifting: Changing Players, Changing Structures, Changing Strategies

The Traditional LNG World

- Limited Number of Sellers (Supermajors & NOCs)
- Integrated Value Chain
- Destination Restrictions
- Established Large-scale Buyers
- Oil linked Contracts
- Long-term Contracts

The New LNG World

- Emergence of New Players & Entrepreneurial Developers (e.g. Texas LNG)
- Disaggregation of Value Chain
- Destination Flexibility
- Emerging Buyers Demanding Smaller Volumes
- Hub Pricing
- Growing Short-term Business
US is Driver of Change: Only 1 out of 14 advanced US LNG projects involves a Supermajor

- 5 LNG projects under construction*
- 3 approved but not under construction*
- 6 in the Formal FERC application phase*

Only one project (Golden Pass) involves ownership by Supermajor/NOC

*Excluding expansions
Emergence of US Tolling Model: Disaggregation of the LNG Value Chain Provides Maximum Flexibility to Offtakers

“Manufacturers” of LNG Destination Flexibility
Texas LNG is “small” relative to other proposed US LNG export projects

Proposed LNG Exports to FTA or non-FTA Countries: Bcf/d

Number of Projects: 42
Average: 1.33 Bcf/d

Source: K&L Gates (April 2015)
“Smaller is Smarter”

Smaller projects are viable compared to typical larger projects

- 2 MTA is credible volume
- Easier to place smaller capacity
- Accommodate smaller offtakers
- Minimize environmental impact
- Easier to Operate: Feed gas & shipping
- Less financing required

Realistic, Simple, & Easier to Reach FID
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