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*Practice Group(s):
Liquefied Natural Gas*

LNG: A Global and U.S. Perspective

By David Wochner and Steven Sparling, Partners at K&L Gates USA

Audio Legal Insight Transcript

BRR Today I'm speaking with K&L Gates Partners Steven Sparling and David Wochner, both US based Partners. Today they're in Perth, for client meetings and also a presentation to the Committee of Economic Development of Australia on World Energy, a US and global perspective. Steven and David thanks for taking some time out to speak with us.

SS Sure.

DW Our pleasure.

BRR Now David if I can start with you, can you give us a very brief overview of the latest developments in US LNG export?

DW Sure Kate most notably last week the US Department of Energy issued an authorisation for the Cove Point LNG terminal which is Maryland on the eastern seaboard of the US to export volumes of LNG, that is the fourth project that has received authorisation, and it brings the total volume of exports that has been authorised to roughly six and a half billion cubic feet a day of exports. This is a significant development and the Department has continued to stress that it will look at market factors in its analysis of the many applications that are pending, they will look at supply and demand issues, it will look at impacts on domestic US prices. I think as you may be aware there has been significant attention paid to the Department of Energy's process both by US participants as well as many global participants in the LNG industry, I would note particularly Japanese and Indian consumers of natural gas, and I think that this fourth approval is a good sign for the industry. I think our assessment of the situation as we look to the market is that the Department will continue to process another two applications by the end of this year and then at the beginning of 2014 we expect the Department to take a bit of a break to reassess some of the market data out there about supply and demand, about impacts on prices and then perhaps in Q2 resume its review of many of the pending applications. The only other point I would add on this process is that we are of the view that the market has placed a bit of inflated importance on the DOE export licence while it is a critical element of course with regard to project finance it nonetheless there are a number of other factors including the review by the Federal Energy Regulatory Commission of the project itself, of the physical facilities.

SS And I would add quickly that the commerciality of the projects has sometimes been tied to the order of the DOEQ that as David was making the point there are fundamentals that still have to drive these projects in terms of whether they'll succeed environmental considerations, off take agreements and just a fundamental underpinning financially of the project.

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- BRR** And Steven sticking with you what does this mean for the Australian LNG industry? What kinds of opportunities and threats do you think this presents?
- SS** I think there's one way to look at the US exports it's kind of complimentary to the LNG exports from Australia that the US volumes fit into many of the buyers' desire for diversified supply, so from that perspective whether it was US or East Africa, in addition to Australian supplies I see it as complimentary. From a perspective of trying to compete with US projects for given buyers, we're looking at the price points and comparing US Gulf Coast terminal for example with an Australian project, you really have to compare apples to apples and add in the shipping costs and transit fees to come up with the ultimate delivered cost and I think the Australian projects can find themselves very competitive under that sort of analysis.
- BRR** Okay well some interesting insights from you both, and thank you for sharing the US and global perspective.
- DW** Thank you.
- SS** Thank you.
- BRR** That was Steven Sparling and David Wochner, both US based partners at K&L Gates. Listeners if you have any questions for either Steven or David you can send them through either using the panel on your screen or otherwise via email to law@brrmedia.com.

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