

# ***U.S. ACCESS TO THE GLOBAL LNG MARKET***

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## **Overview**

This paper discusses U.S. participation in the global liquefied natural gas (LNG) market and examines current conditions in the global market place to explain the rising price of LNG and to predict what the market will look like in the future. The first part of the paper focuses on the U.S. domestic market for LNG. US demand and U.S. and Canadian production data are used to explain the increase in U.S. LNG imports in recent years and the flurry of construction activity to expand regasification capacity in North America. The current U.S. portfolio of LNG importers and the future prospects with each are discussed. Next the paper moves from the domestic to a global perspective describing the global imbalance between liquefaction and regasification. The possibility of increased integration because of this imbalance and its impact on the marketplace is considered. Global supply and reserve data are presented and the geopolitical implications of the distribution of both are discussed. Evidence of inelastic supply and increasing demand is used to explain the rising price of LNG and the most recent downturn in U.S. LNG imports. Finally, the paper discusses the implications of the current and future LNG marketplace on U.S. energy policy.

## **Methods**

Descriptive data and extensive literature review.

## **Results**

U.S. imports of LNG have been increasing over the past several years.

The high price of LNG in Europe and Asia have resulted in more recent declines in U.S. importation of LNG.

There is a global imbalance between liquefaction and regasification capacity and this imbalance is likely to persist at least into the near future.

Overcapacity of regasification and high prices are pushing the industry into increased integration.

The U.S. will find it increasingly difficult to compete with other global consumers.

## **Conclusions**

Under these conditions, it seems unlikely that consumers of LNG will experience price declines. Although increasing prices should encourage further production of natural gas, additional pipeline capacity and increasing domestic demand in producing countries could abate the growth in LNG supply. Furthermore, increasing global demand and increasing transportation costs could diminish the economic viability of further LNG importation by the United States. In addition, because of global reserve distribution, increased reliance on LNG may jeopardize even further U.S. energy security.

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