Gas exports open market opportunities: Tenaska

By Jim Magill

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As US exports of natural gas — in the form of LNG and pipeline exports to Mexico — are predicted to increase significantly in coming years, independent gas and power marketer Tenaska is prepared to leverage its physical assets to implement its supply-chain management strategy to take advantage of the accompanying growth in the US gas market, a company executive said this week.

"We think we are prepared. Our platform's very good, very scalable. We 've invested a lot into our platform, which includes our people, our systems. Those are very scalable toward continued growth in a growing market," Fred Hunzeker president and CEO of Tenaska Marketing Group, said in an interview.

The US is expected to become a net exporter of gas on an average annual basis as early as next year, according to the US Energy Information Administration's recently released Annual Energy Outlook 2017. This development marks a historic reversal from current trends. As recently as last year, the US was a net importer of gas , with net imports of 0.9 Tcf, or 2.6 Bcf/d, EIA said.

LNG exports are expected to make up a growing share of total gas exports and to surpass pipeline exports of natural gas by 2020, EIA said.

Cheniere Energy's Sabine Pass LNG export terminal became the first export terminal in operation in the Lower 48 States last year. And with four more LNG export facilities slated to come on line over the next several years, the US will have an operational LNG export capacity of 9.2 billion Bcf/d by 2021, according to the Energy Outlook.

Meanwhile, exports of US gas by pipeline to Mexico , which have doubled since 2009, "are projected to continue rising through at least 2020 as pipeline projects currently under construction are completed," the EIA said.

Driven by the growth in demand for LNG and Mexico exports, "the market appears to be poised for continuous growth over the next three years to five years in a significant manner," Hunzeker said.

"LNG and Mexico are just two aspects of this growth we see coming down the road," he said.

Company boasts 'strong footprint' in Texas , Gulf Coast

Hunzeker added that privately owned Tenaska is prepared to accommodate the growth in marketed gas volumes, driven by demand for both forms of exports through its "strong footprint" of assets both in Texas and in the Gulf Coast region.

"We have relationships with all the relevant players in those markets and we hope to be one of the few players able to bring the scale and scope of our physical assets to those areas to help balance those markets," Hunzeker said.

Looking forward, the shifting global LNG market is raising many questions for gas marketers, concerning those proposed US LNG projects that have yet to come on line, as to their timing and even their basic business model, Hunzeker said.

In recent years, global gas prices have begun to converge, with prices in the premium Asian markets falling to parity with Europe as the world has moved from an endemic LNG shortage to global oversupply, according to a recent report by Platts Analytics' Eclipse Energy.

As a result, the price differential between the Platts Japan Korea Marker and the US Henry Hub fell from an average of $12.65/MMBtu in 2013 to $3.02/MMBtu as of November 2016, a $9.63/MMBtu (76%) drop.

Eclipse Energy predicts that new global LNG supply capacity — especially the ramp-up of US export capacity — will outpace nominal demand growth by around 8.5 Bcf/d by 2019, which will likely lead to further global price consolidation over the next five years.

"What is the ultimate timing of those projects coming on line?" Hunzeker asked. He noted that while several projects seem to be getting close to commissioning and start-up, recent announcements indicate that several of those projects might see delays in their timelines.

Questions arise over structure of gas demand from LNG plants

"For the ones that do get built, there's a big question of whether they will all be baseloaded or swinging, maybe on a seasonal basis," Hunzeker said. Demand for US -based gas from LNG terminals that do not operate on a baseload-demand model would likely fluctuate.

"The markets are going to have to be able to handle those demand volume fluctuations just like we have to on the power-gen side," Hunzeker said.

Meanwhile, gas exports to Mexico continue to increase apace. Despite anemic export growth during the first half of the year, exports to Mexico are starting to pick up in the second half, averaging more than 4.4 Bcf/d during the first several days of August, up 250 MMcf/d (6%) from July and up 340 MMcf/d (8%) from last year, according to Platts Analytics' Bentek Energy.

Recently, approximately 3.1 Bcf/d of new West Texas border-crossing capacity has come on line, providing additional opportunities to flow gas into Mexico 's gas -hungry markets, Bentek said.

"On the Mexico side, we have a strong footprint in the Texas intrastate market so that gives us a good segue for us to expand into the growing market for exports into Mexico , Hunzeker said.

"We 've established an entity to do business in Mexico ," he said. "We 're also currently active on the US side of the border with our southern team looking for opportunities to do deals ,either on the US or the Mexico side of the border."