

As Trump heads to China, US LNG industry hopes for 1st Chinese contract

EXCLUSIVE

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By Rachel Adams-Heard



President Donald Trump boards Air Force One for his trip to Asia. He and U.S. energy executives arrive Nov. 7 in China.

Source: Associated Press

As President Donald Trump and a group of energy executives arrive in China, the U.S. natural gas industry awaits its first long-term deals with the country, hoping to gain a stake in what is expected to be a booming market for the fuel.

[Cheniere Energy Inc. \(/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4100855\)](#), [Delfin LNG](#), [Texas LNG](#) and the [Alaska Gasline Development Corp. \(/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4644297\)](#) are among the companies represented on a list of the business delegation traveling to Beijing during Trump's first official visit to

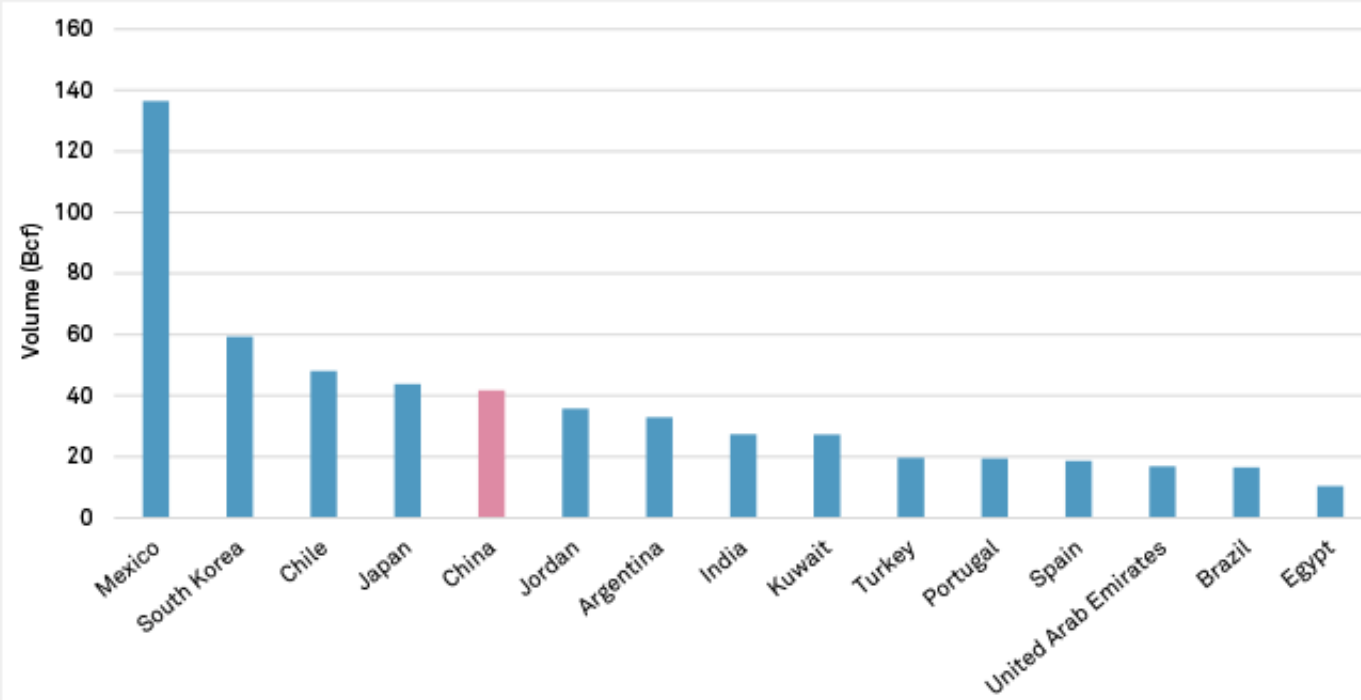
Asia, according to CNBC. [Sempra Energy \(/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4057062\)](#) was reportedly on an earlier list but was unable to attend due to scheduling conflicts. The Asia trip ([/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=42422796](#)), set to run through Nov. 14, also includes stops in Japan, South Korea, Vietnam and the Philippines.

"Knowing going into the trip that a major concept is that they are trying to leverage gas is a positive indicator for the industry," said Charlie Riedl, executive director of the Center for Liquefied Natural Gas, a Washington, D.C.-based trade group. "Any time the president has made public comments in support of LNG, that is felt among the industry."

The Trump administration has [touted \(/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=41165017\)](#) U.S. LNG in its calls for "energy dominance," pointing to exports of abundant American shale supplies as a way to create domestic jobs while fulfilling the president's promise to slash the U.S. trade deficit. Though there is just one operational LNG export project in the Lower 48, five others are under construction and more than a dozen are seeking a spot in a glutted global market.

Despite China being home to more than 7% of U.S. liquefied natural gas exported since February 2016, Chinese buyers have not signed any long-term contracts for U.S. LNG. In addition to waning interest in being locked into 20-year deals amid a global supply glut, industry observers said, fear that the U.S. could use LNG as a political weapon may be keeping Chinese buyers at bay. It is seen as a critical market for LNG exporters, projected by Wood Mackenzie to surpass Japan as the world's largest LNG importer as the government institutes policies to cut emissions.

Countries that have imported more than 10 Bcf from Sabine Pass
February 2016 - August 2017



As of Oct. 16, 2017.
Source: U.S. Department of Energy

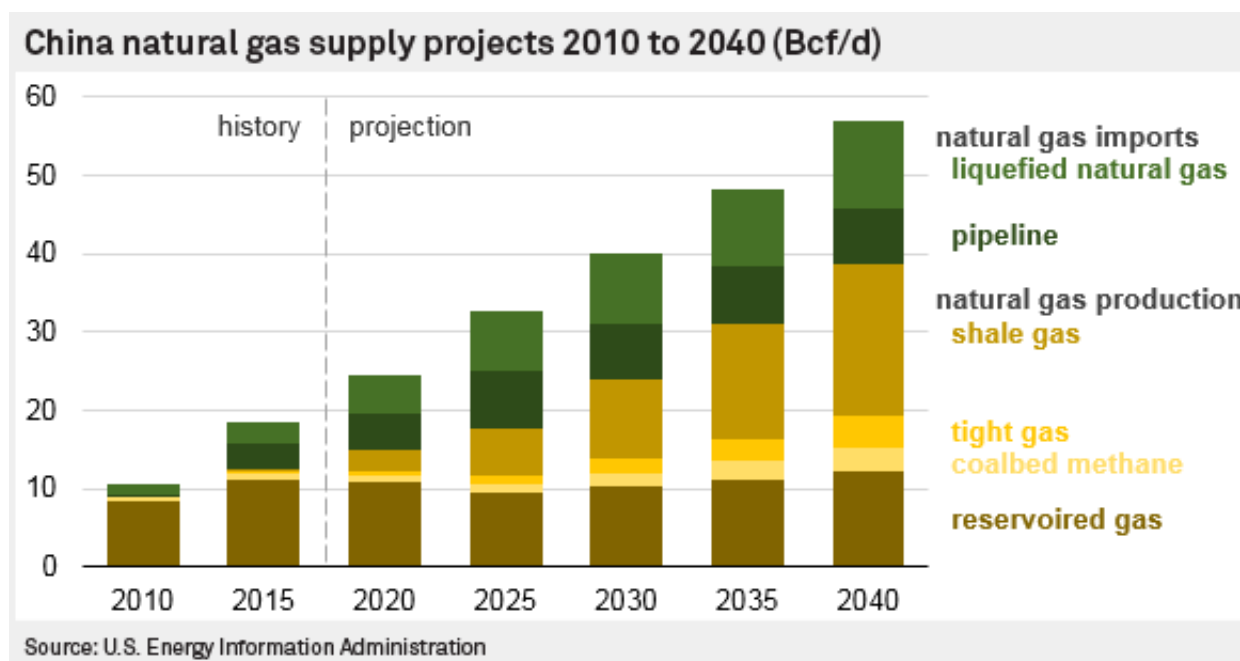
That could change with a formal proclamation from Trump that echoes statements from other members of his administration who have made efforts to assuage Chinese buyers' concerns, said David Goldwyn, a

former U.S. Department of State special envoy and president of the energy consulting company Goldwyn Global Strategies. "That would be a fantastic statement to make," he said.

Trump has pitched U.S. LNG exports in meetings with leaders from Japan, South Korea, Poland, India and Greece. A visit by South Korean President Moon Jae-In that overlapped with the White House's "energy week" [brought \(/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=41185726\)](/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=41185726) with it five nonbinding agreements between U.S. LNG developers and Korean energy companies.

In May, the U.S. Department of Commerce [announced \(/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=40661593\)](/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=40661593) an agreement that reaffirmed that U.S. regulators would treat China the same way it does any other country that does not have a free trade agreement with the U.S., a move the industry hoped would give Chinese buyers confidence that the U.S. government would not one day undermine their contracts.

Goldwyn said similar affirmation from the president himself could be what ultimately gets pen to paper. "In this administration, you need the confirmation from the president, because the statements from Cabinet members aren't always seen as set in stone as they have in past administrations," he said.



U.S. developers have ramped up their efforts to sell LNG to Chinese buyers on a long-term basis. Cheniere said in August that it is setting up an office in Beijing. Texas LNG in January [announced \(/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=38987272\)](/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=38987272) nonbinding agreements with four undisclosed buyers in Southeast Asia and China for more than half of the project's planned capacity. And Alaska Gov. Bill Walker, who is also reportedly on the China trip, in April [met \(/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=40311992\)](/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=40311992) with Chinese President Xi Jinping to try to convince the leader to support the massive state-led Alaska LNG export project.

"You don't have to be a genius to see there's going to be very strong growth in demand for natural gas in China," said Fred Beach, assistant director for policy studies at the University of Texas' Energy Institute. "We have a huge trade imbalance with China, so what better way to balance that than to sell them the energy resources we have in abundance to help them produce the goods that we buy?"

But despite the plug LNG has gotten from the Trump administration, Beach said, Chinese buyers are taking a longer-term view when they weigh signing a contract for U.S. LNG. "There are no better negotiators in the world than in China," he said. "They take a 100-year view, not a four- or eight-year view."

Cheniere and the state-controlled Alaska Gasline Development Corp. declined to comment on the delegation, and Texas LNG and Delfin LNG did not respond to a request for comment.

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