

# THE U.S. LNG MARKET: WHAT YOU NEED TO KNOW

The U.S. is one of the world's largest producers and exporters of Liquefied Natural Gas (LNG), a global commodity. U.S. LNG is sought-after because it's flexible and adaptable to different uses and lower in emissions than other fossil fuels. U.S. LNG has both domestic uses and international uses to support other countries with power generation, heating, manufacturing and transportation.

## HOW DOES THE U.S. LNG MARKET WORK?



### STEP 1

Natural gas is extracted at the wellhead and then travels by pipeline to a U.S. LNG facility where it is liquefied, shrinking it to 600 times its original size.

### STEP 2

If destined for export, sale of the LNG can take place before it even arrives at the LNG facility or after it is liquefied and shipped.

### BEFORE IT EVEN ARRIVES AT THE LNG FACILITY

Many **buyers** sign a long-term sales purchase agreement (SPA) in advance.

#### SPAs:

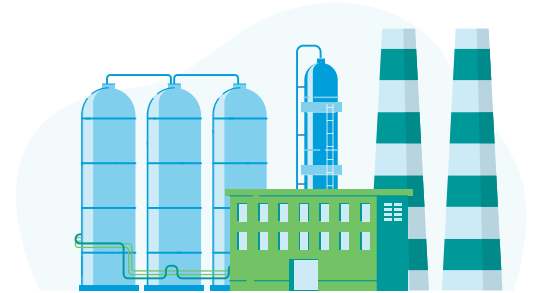
- Have several benefits for buyers, shippers and LNG facility operators by providing reliability and predictability to the market.
- Can vary from one to 20 years or even longer.

These SPAs:

- Remain foundational for projects moving to final investment decision (FID).
- Are normally linked to Henry Hub and oil-indexed contracts and include a fixed price fee for liquefaction.
- Provide predictability and are more competitively-priced than waiting to purchase LNG on the short-term spot market.
- Can be structured in numerous ways, including the involvement of multiple partners as buyers.

**Buyers of U.S. LNG are often international utilities, local power generators or industrial customers.**

**Buyers can re-sell U.S. LNG.**



### A seller of U.S. LNG could be:

- **The company that produced the natural gas prior to liquefaction.**
- **A portfolio player – a company that accumulates a portfolio of LNG from a variety of sources and then tailors the product to match the needs of the buyer. These cargoes are often sold on the spot market.**

### AFTER IT IS LIQUEFIED AND SHIPPED

Buyers without long-term SPAs purchase the LNG through the **“spot market.”**

#### The spot market:

- Usually refers to either Europe's TTF or Asia's JKM, a point where buyers and sellers provide a competitive assessment of the value of spot cargoes in the short-term market. The spot market includes bilateral agreements directly reached between a buyer

and a seller that are tied to globally-accepted price markers at TTF, JKM or Henry Hub.

#### Cargoes could be:

- Already on an LNG carrier on the way to a destination.
- Waiting for the seller to purchase space on an LNG carrier for future delivery.

**Historically, buying on the spot market is a less predictable way to purchase LNG.**

### STEP 3

The final step in the LNG process is regasification, which happens when LNG is converted back to its original gas form at an import terminal.

- Once regasification occurs, the natural gas is then prepared for distribution to the consumer or stored for later use.

**U.S. LNG improves people's access to reliable energy worldwide.**

In 2022, the U.S. exported 3.8 Trillion cubic feet (Tcf) to 46 different countries, about 10 percent of the daily natural gas market.

