

Chad Mills in Oil and Gas Investor on the Global LNG Market

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Oil and Gas Investor quoted Haynes Boone Partner Chad Mills in a story about the global LNG market.

The story [reported](#) that, at a recent market outlook by Haynes Boone LLP, presenters from that law firm as well as maritime brokers and analysts Poten & Partners, and logistics operator USD Group suggested that the immediate need for LNG growth worldwide is midstream infrastructure to connect regasification facilities to users. By 2022 new long-term supply is likely to be needed, but the key to continued growth and diversification of global LNG is on the midstream for the last mile.

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Oil and Gas Investor reported that Poten estimated that between 2010 and 2017, \$312 billion was invested worldwide in liquefaction, of which two-thirds was by end-users and one-third by energy majors or aggregators. In the same period, about \$45 billion was invested in shipping, of which roughly half is contractually committed. Also in the same period, about \$47 billion was invested in regasification, of which a glaring 72 percent remains unused or underused.

A large part of the problem is the way global LNG markets developed before 2010, explained Chad Mills, partner with Haynes Boone.

“LNG has very high capital costs, so historically each project was its own dedicated bundle of infrastructure with long-term contracts,” he said. “Terms were designed around certainty and supply security and were therefore very inflexible with take-or-pay rules, precise annual scheduling, tight delivery windows, and restrictions on destinations so buyers could not resell or divert shipments.”

Several developments wrought change, but most notably the shale bonanza in the U.S. caused a sudden reversal from vast plans to import LNG to modest plans to export. Major suppliers had to scramble to find new markets for the LNG they planned to sell to the U.S.

“The new model, where there are many possible structures for reserves, production, gathering, liquefaction, transport, trading, and regas, open opportunities to monetize many steps in the chain,” Mills said.

He added that “many buyers of LNG still want oil-based pricing. For the most part these are not the most dynamic organizations in the world. Often they are state-owned or state-controlled utilities and the people there don’t want to make mistakes. Oil is a global market that they understand. No one is going to get fired for wanting an oil-indexed price.” ...

Excerpted from *Oil and Gas Investor*. To read the full article, click [here](#).