



# Will the Americas compete for LNG?

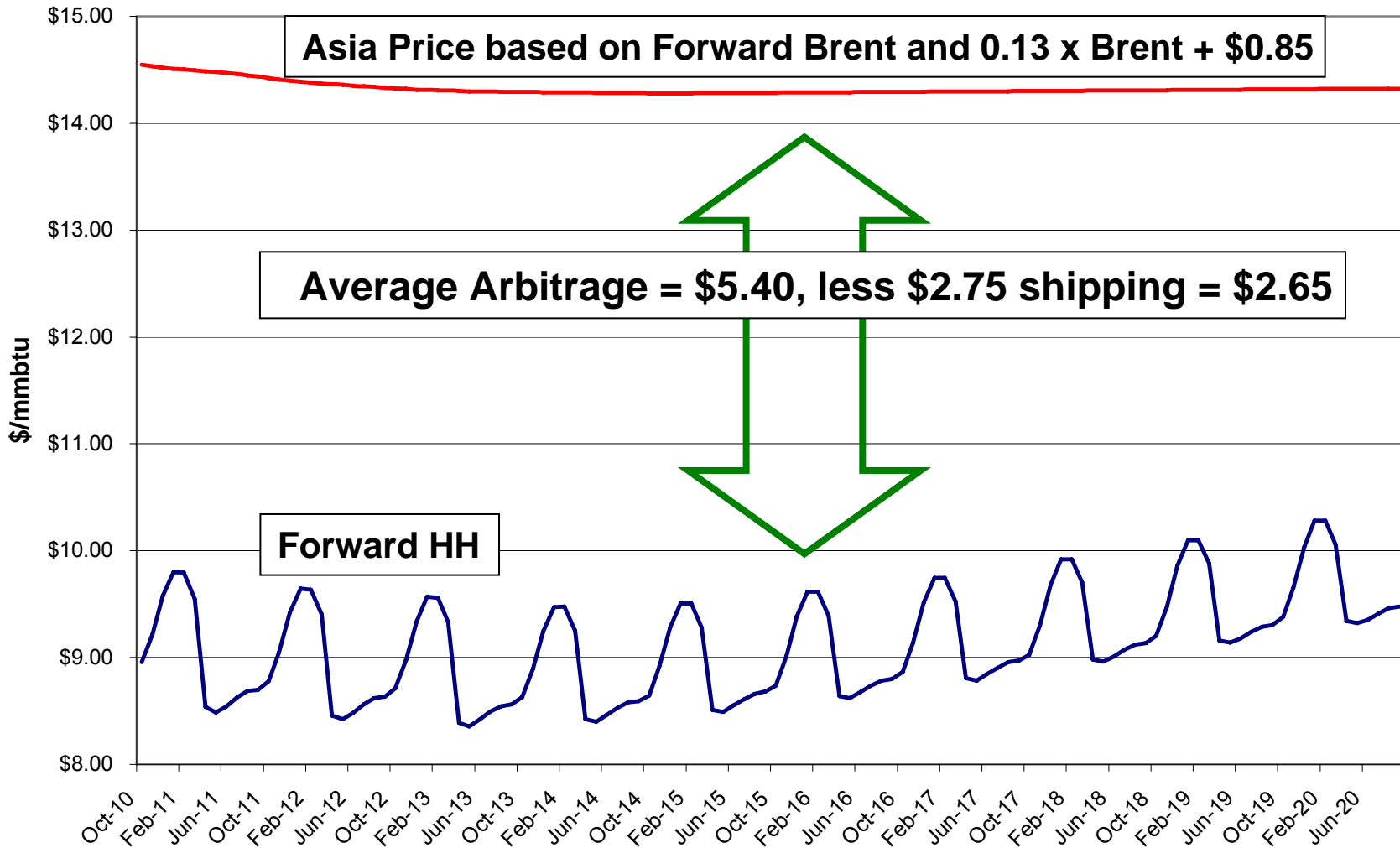
**John Troutman**

May 14, 2008

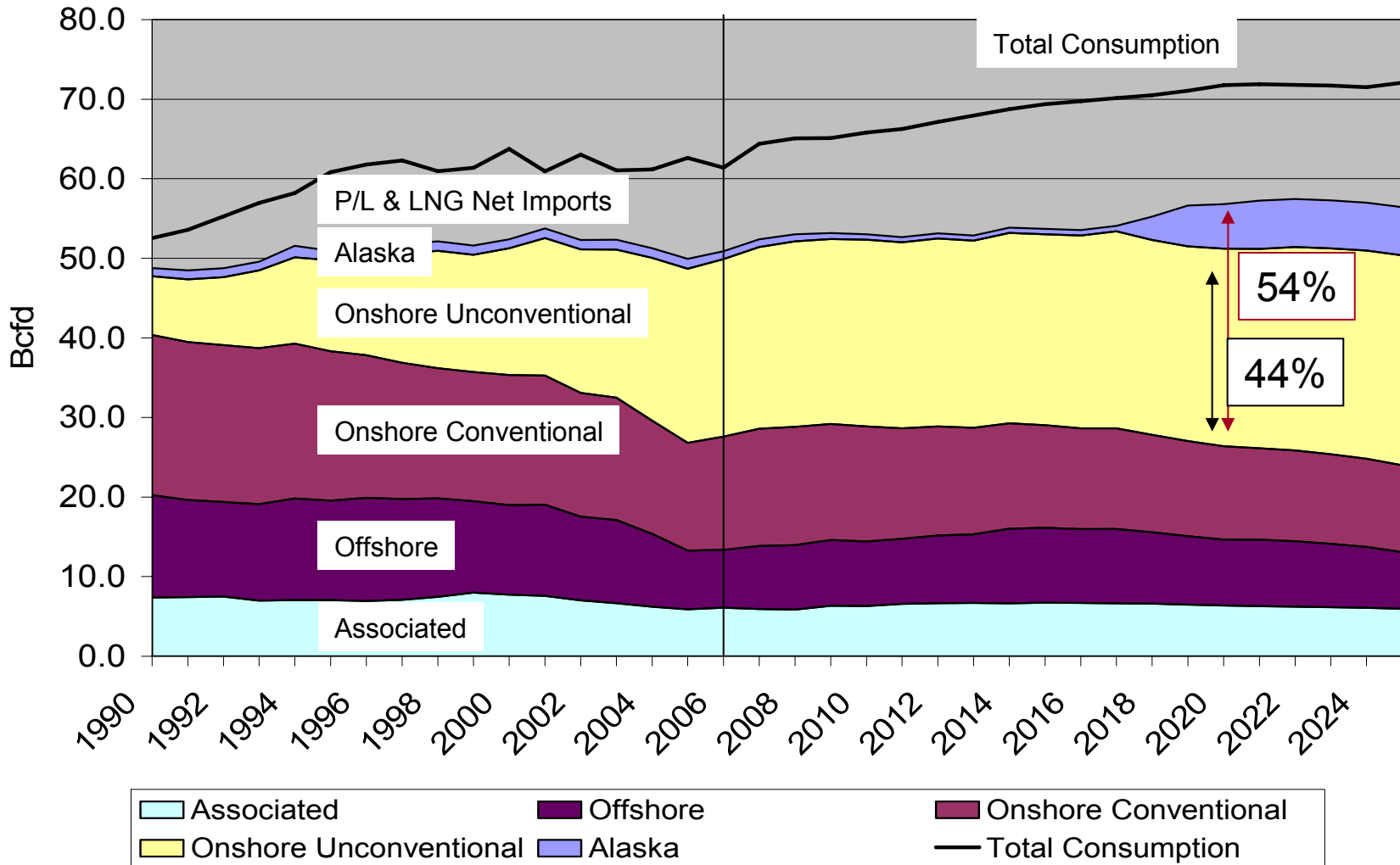
# Is Current Arbitrage Sustainable?



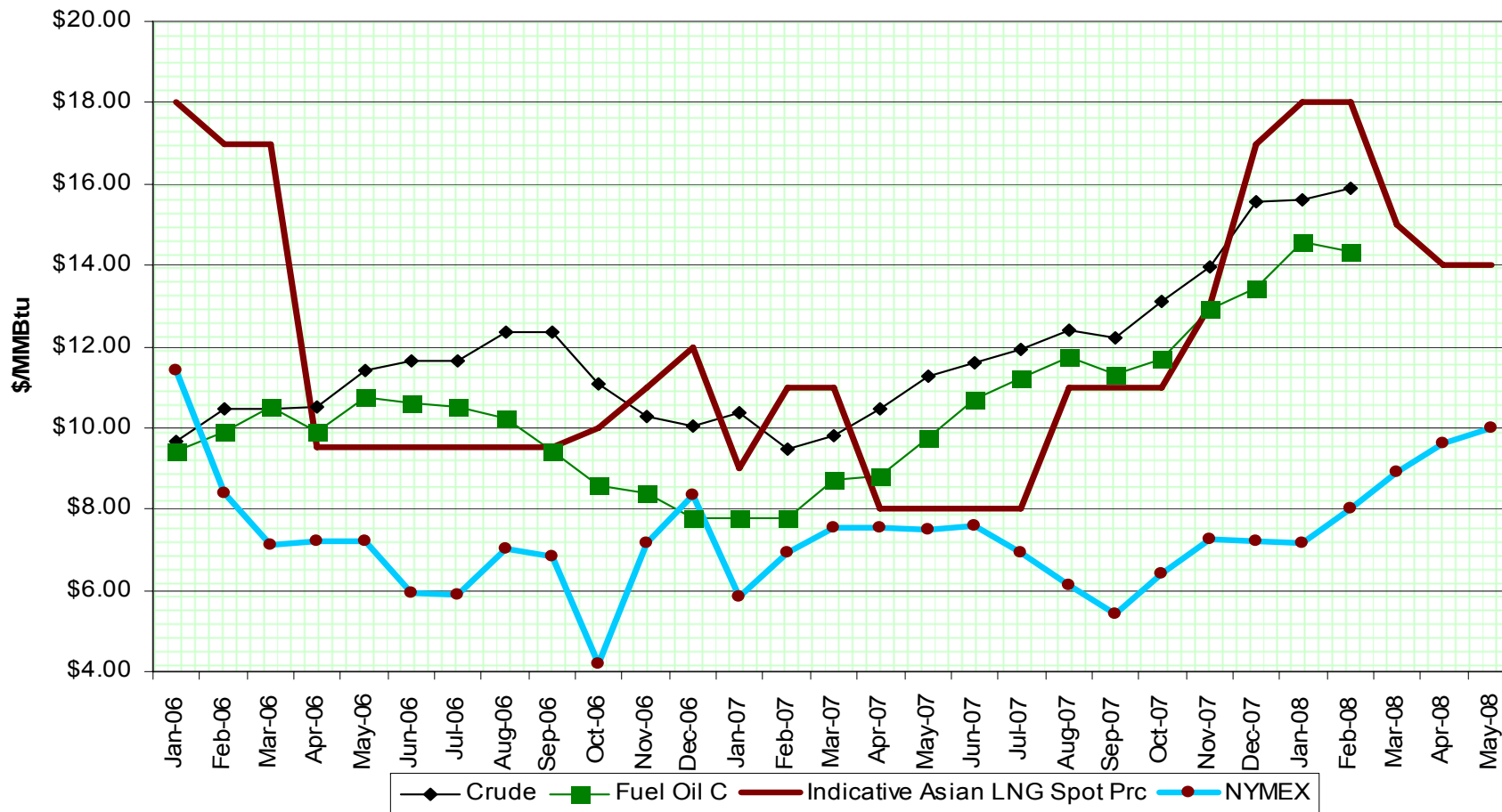
Forward Curves - Arbitrage



# Will U.S. Gas Supply Keep Pace With Demand?

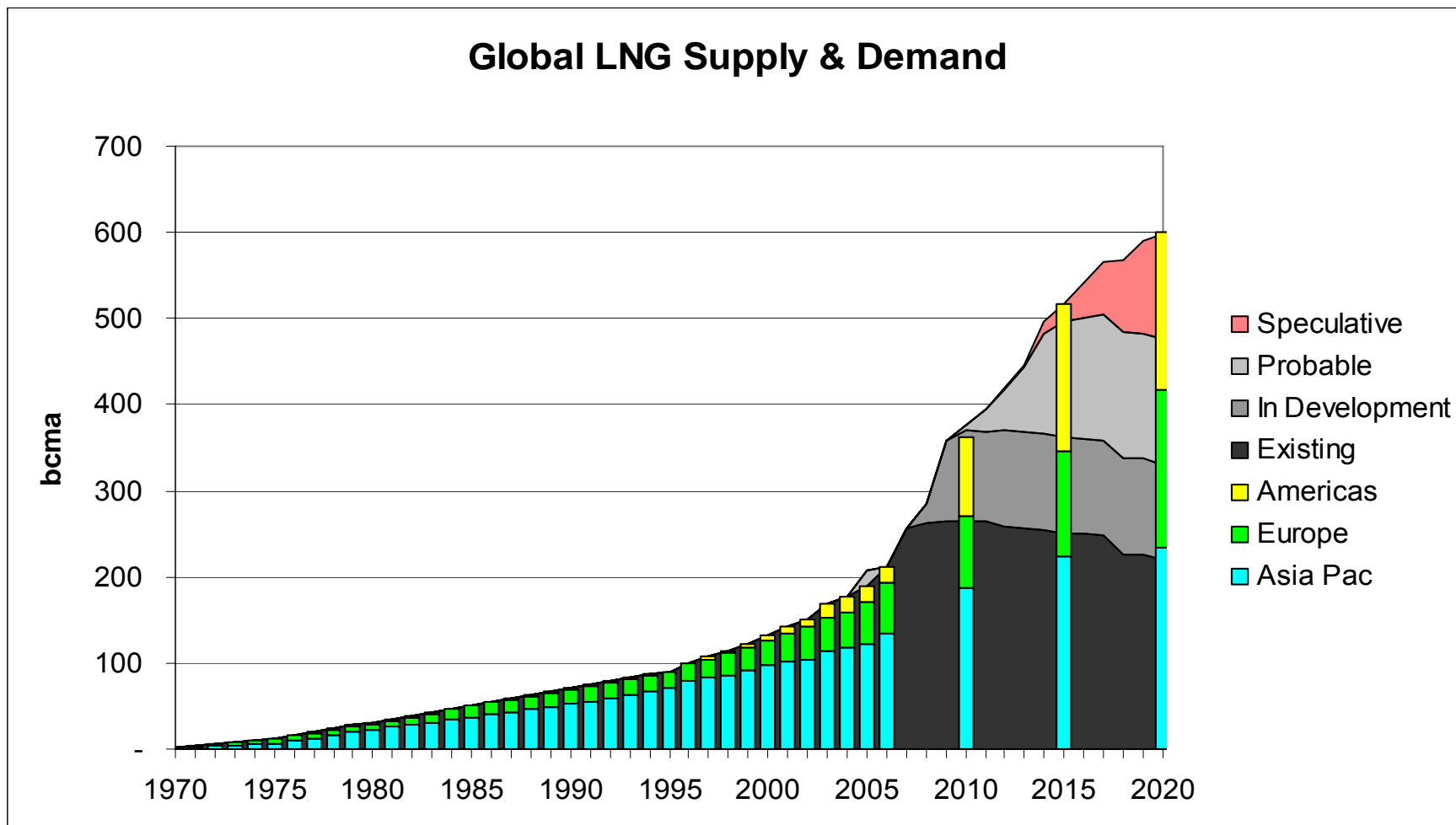


# Will HH Track Fuel Oil Prices?



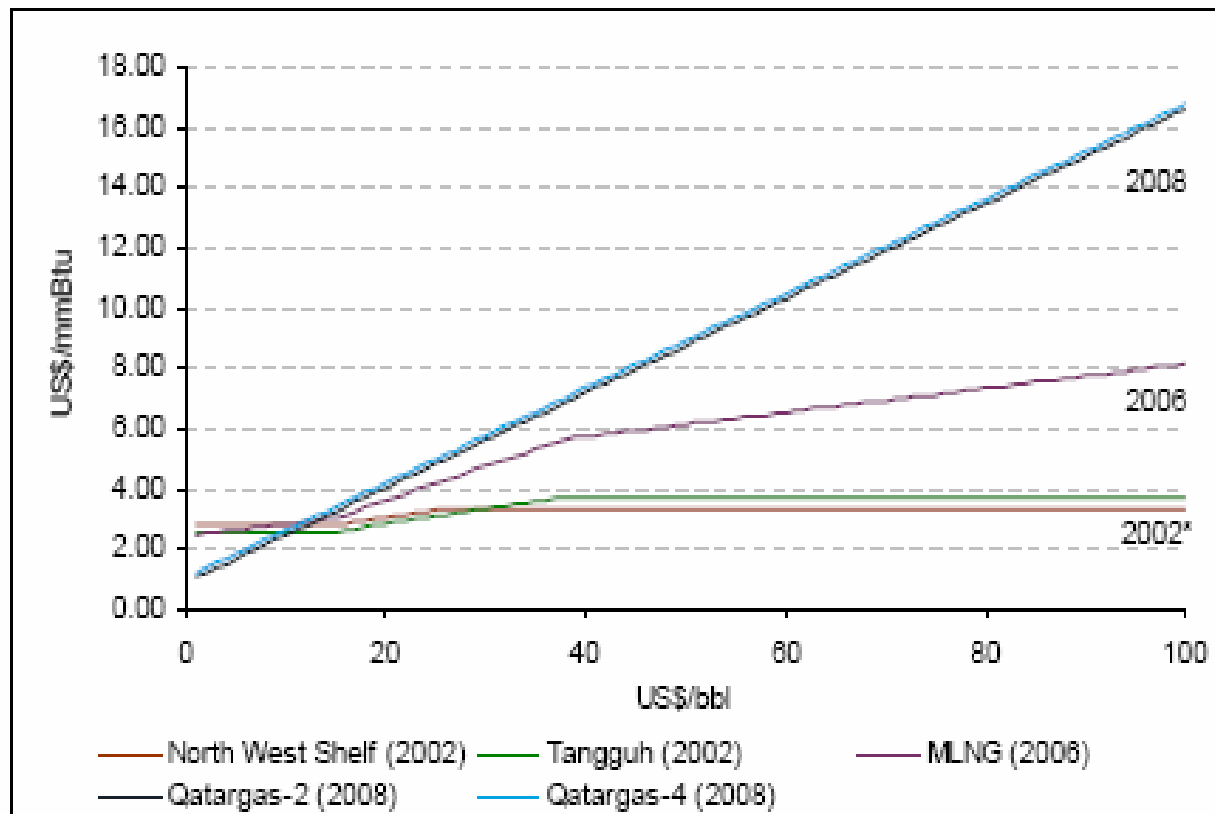
Source: Japanese Petroleum Association, PIRA

# New LNG Supply Exceeds Asian LNG Demand Growth



► Source – BP

# But What About China?



Source: Wood Mackenzie Estimates. \*The Tangguh contract above, signed in 2002, was renegotiated in 2006 and the ceiling on the pricing formula was reportedly increased to US\$38/bbl. This represents the renegotiated pricing structure.

**How big is China's appetite for LNG at current pricing trends?**

# Will the Americas Compete for LNG?



- US domestic supply and imports from Canada will not keep up with gas demand.
- With no new nuclear and limited new build coal in the US, gas prices should track fuel oil.
- What about carbon pricing?
- New LNG supply will exceed Asian LNG demand growth,
  - meaning more LNG chasing fewer arbitrage opportunities, and
  - shrinking arbitrage spreads
- How much LNG will China purchase at “Asian” prices?
- **Therefore, the Americas should be able to compete for LNG.**

**But when?**