

Improving the Competitive Position of US LNG Exports

Destination Clauses

U.S sales feature growing use of tolling charges instead of long-term point to point shipments, no destination clauses are required in U.S. exports

Global removal of destination clauses will help develop price discovery (reliably transmit price signals) for market participants

- **Asian markets lack a transparent pricing benchmark. Although Asia is the major natural gas-consuming region worldwide**
- **Growth in liquidity will lead to a gradual shift away from long-term fixed point sales to reliable regional LNG pricing, flexible contracts**

IEEJ – EPRINC recommendation is for removal of LNG destination restrictions in LNG contracts among all market participants to stimulate spot markets and price discovery. New and close dialogue is required to promote competition and LNG market growth.

Improving the Competitive Position of US LNG Exports **Cost Reduction Strategies**

Standardized modular design, FSRUs, materials advances all offer opportunities to improve competitiveness of U.S. LNG exports to Asia, but cost reductions are limited by physical construction requirements and distance to market

Best opportunity for cost reduction is to lower and keep feedstock costs low

U.S. has ample gas reserves and highly liquid and transparent market, sustaining competitive U.S. LNG export platform requires.

- **Streamline the regulatory process, including LNG export approval process.**
- **Common sense environmental reviews to foster predictable and efficient build out of U.S. LNG export capacity.**
- **Provide clarification of U.S. revocation risk on LNG exports to lower trade insurance costs.**

Improving the Competitive Position of US LNG Exports – Panama Canal

Restrictions on Scheduling and Delays Increasing Costs for US Exports -- \$45,000/day

The Panama Canal Authority is working with LNG shippers towards doubling the capacity set aside for LNG vessels by next October 2018

Ship movements by the Panama Canal Authority (ACP) are outside the jurisdiction on the United States and Japan. However, in recent years, ACP has been active with U.S. and many foreign port authorities concluding agreements on joint marketing plans.

Policy Recommendation

► Direct Engagement with ACP: METI and DOE should directly engage the ACP to develop formal data exchanges and research sharing on the future of LNG trade and strategies to support long-term and cost effective movement of LNG vessels to and from Asia to North America