

# The Big New Push to Export America's Gas Bounty

By MARK SCOTT

**J**UST off the coast of Texas, Excelsite Energy is hoping to strike it big.

The Houston energy company plans to build a multibillion-dollar offshore export terminal halfway between Corpus Christi and Galveston to ship natural gas around the world.

As one of the first United States companies to be granted an export license, Excelsite Energy is looking to capitalize on an American oil and gas boom that is reshaping the global energy markets.

Once dependent on natural gas imports, the United States has gone from a buyer to a potential seller after a flurry of recent natural gas discoveries across the country accessible with new extraction technology.

The newly available resources, mostly from so-called shale gas deposits, have brought the price of American natural gas down to as little as a fifth of the price in other countries, particularly those in fast-growing Asian economies.

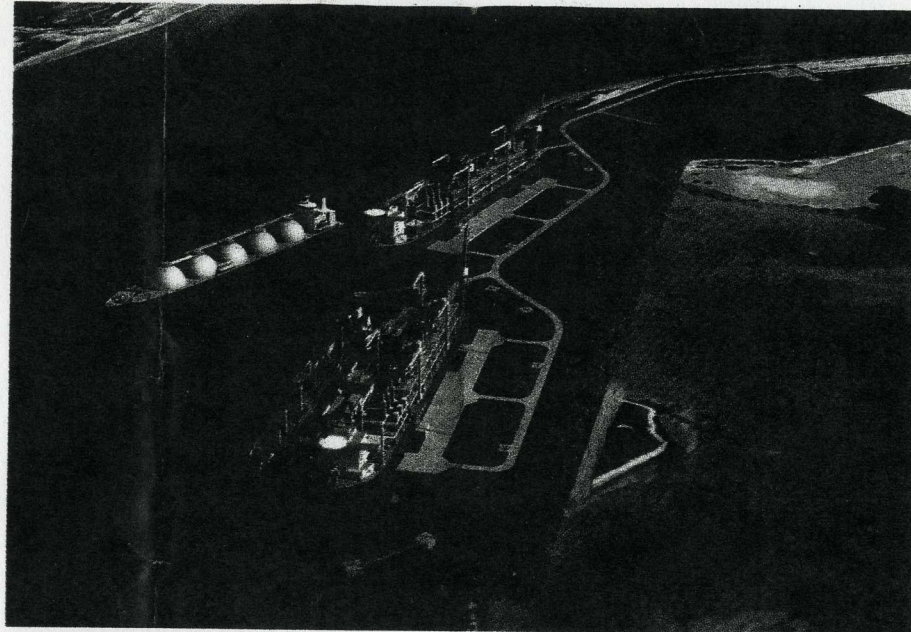
The wide price disparity between American and global markets has energy giants like Exxon Mobil and BP eager to sell cheap American natural gas to foreign buyers to cash in on robust global demand.

To stake its own claim, Excelsite Energy is negotiating with a handful of foreign companies to secure long-term contracts to ship natural gas abroad. The firm, half-owned by the billionaire George B. Kaiser, expects to sign agreements by early next year. The first shipments are expected to leave the Texas coast by 2017.

"There's so much potential for the U.S. to take advantage of high prices in global markets," said Rob Bryngelson, the 44-year-old chief executive of Excelsite Energy. "We've got to capitalize while we can."

With 15 other export projects currently under review by the Energy Department, America could soon become the world's second-largest natural gas exporter behind Russia, which remains the largest seller because of its long-term contracts to energy buyers across Europe and farther afield.

Demand for natural gas is expected to double over the next 20 years, according to the International Energy



**STAKING A CLAIM** A rendering of the liquefied natural gas export terminal that Excelsite Energy is planning to build.

Agency. Most growth will come from emerging markets like India and China that are reliant on energy imports to support their economies.

Obstacles remain. Big American consumers of natural gas like the petrochemicals industry worry that record-low domestic gas prices will rise if energy companies are allowed to export natural gas. Politicians also are concerned about the impact of exports on the country's energy security.

"People are struggling to decide what to do with this energy gift," said Roger Ihne, a principal in the energy practice of the consultancy Deloitte in Houston.

The glut puts the United States at the center of the increasingly globalized natural gas market.

Unlike the oil industry, which relies

## In position to play a critical role in the world's energy supply.

on a few global benchmark prices, the natural gas sector was a regional business until recently. Prices still vary wildly among continents, and most producers depend on vast pipeline networks to supply local customers like energy utilities and industrial companies.

Yet technology is changing how business is done. That includes how natural gas is extracted from the earth — via a technique called hydraulic fracturing,

or fracking — and how the fuel is transported over long distances. By converting their product to liquefied natural gas, or L.N.G. — a condensed, cooled and pressurized form of the fuel — natural gas suppliers can ship overseas in large tankers rather than depend on decades-old pipelines, which often run through politically unstable countries.

With the potential to ship anywhere in the world, energy companies are connecting regional natural gas markets to a greater extent than ever before. Analysts say producers can hunt for the highest price across different continents before deciding where to ship the gas.

For example, Qatar, the world's largest L.N.G. exporter, has shifted supplies from its European customers to new cli-

ents in Asia because Europe's economic problems have reduced demand there.

In Asia, political decisions like Japan's move to close its remaining nuclear power plants after the disaster at the country's Fukushima reactor have increased demand for L.N.G. imports. This year, Cheniere Energy, a Houston energy firm, signed a 20-year deal with the Korea Gas Corporation to ship natural gas to South Korea beginning in 2017. Cheniere, which plans to export from Louisiana, also has a long-term contract with GAIL India, the country's largest natural gas distributor.

"Asian companies are out in front in signing natural gas contracts," said Teri Viswanath, a commodity strategist at the French bank BNP Paribas in New York. "For countries like China, the tremendous domestic demand ensures it will always be an importer."

Stronger ties within the natural gas industry are also bringing international energy companies to America. By acquiring stakes in American energy projects, analysts say, foreign firms are seeking access to the country's vast untapped resources.

In early October, Golden Pass Products, a venture whose majority owner is the state-owned Qatar Petroleum International, was granted a license to export liquefied natural gas from a proposed site in Texas. The British energy company BG Group, which owns shale gas deposits from Texas to New York, also plans to ship American natural gas from its operations in Louisiana.

Despite the multibillion-dollar investments, changes are not expected to happen overnight. Building L.N.G. terminals, for example, can take years. And many utilities, particularly in Europe and Asia, are locked into contracts with existing natural gas producers that could limit the opportunities for new entrants like American companies.

Yet the expansion of the natural gas industry in the United States and elsewhere, including in East Africa and South America, is expected to transform the sector over the next 20 years.

"We still have regional markets, but they are becoming more tied together with each successive year," said Joseph A. Stanislaw, a founder of the consultancy Cambridge Energy Research Associates.