

# LNG Market Review

January - July 2006

LNG imports into the US for the first seven months of 2006 were 356.7 billion cubic feet of natural gas. This is slightly less than the same period in 2005 (367 bcf), however the volumes for July were ahead of last year. The winter imports into the US were much less than in 2005 due to the very cold winter in most of Europe, some shortfalls in deliveries to Europe from Gazprom, and the high consumption of gas in Spain. These factors combined to drive gas prices in Europe well above prices in the US, which was experiencing a mild winter and low gas demands.

## **Chart 1: Prices**

Chart 1 shows the prices of LNG imported to the four active LNG import terminals in the US compared with cash prices on the NYMEX at Henry Hub. In general, the prices tend to track the Henry Hub prices with some differences for basis. The high winter prices at Everett are a reflection of the European demand for LNG and the special circumstances of the Everett terminal that has a “must serve” role in the New England markets during the winter.

## **Chart 2: Importers**

BG is the largest importer of LNG into the US. BG imports LNG through 2 import terminals (Elba Island and Lake Charles) and is the only importer that has exclusive rights at two terminals. Suez (formerly Tractebel) is the exclusive importer at Everett, while Cove Point is the import avenue for Statoil, Shell and BP. Between BG and Suez they account for 76% of US LNG imports.

## **Chart 3: Terminals**

The Distrigas (Suez) terminal in Everett (Boston Harbor) is the most consistent and largest importer in the US. Since the capacity expansion at Lake Charles was brought on line, Lake Charles has had periods when it operated at considerably higher levels than Everett. However, the Lake Charles terminal has a more opportunistic market presence than the Everett terminal and fluctuates considerably in volume. It also has the broadest market access with far greater blending options than any of the other terminals. Hence, the Lake Charles terminal can import a wider diversity of gas qualities without incurring the expense of gas treatment. The Elba Island terminal is also more of a niche market terminal, supplying gas to the southeastern US. The construction of a new pipeline into the large Florida gas markets from Elba Island will enhance that terminal’s market flexibility considerably.

The Cove Point terminal seems to be having a troubled existence. It is the one terminal of the four that had a decrease in import volume from 2005 to 2006. A pipeline and storage access expansion program at Cove Point is aimed at solving some of these problems.

## **Chart 4: Origin of the LNG Imports**

Trinidad & Tobago is by far the largest single supplier of LNG to the US. Gas from T&T is imported through all four of the US terminals by all the importers. Egypt has risen to second place and Nigeria is now running third. This has pushed the US’ oldest supplier of LNG, Algeria, into fourth place.

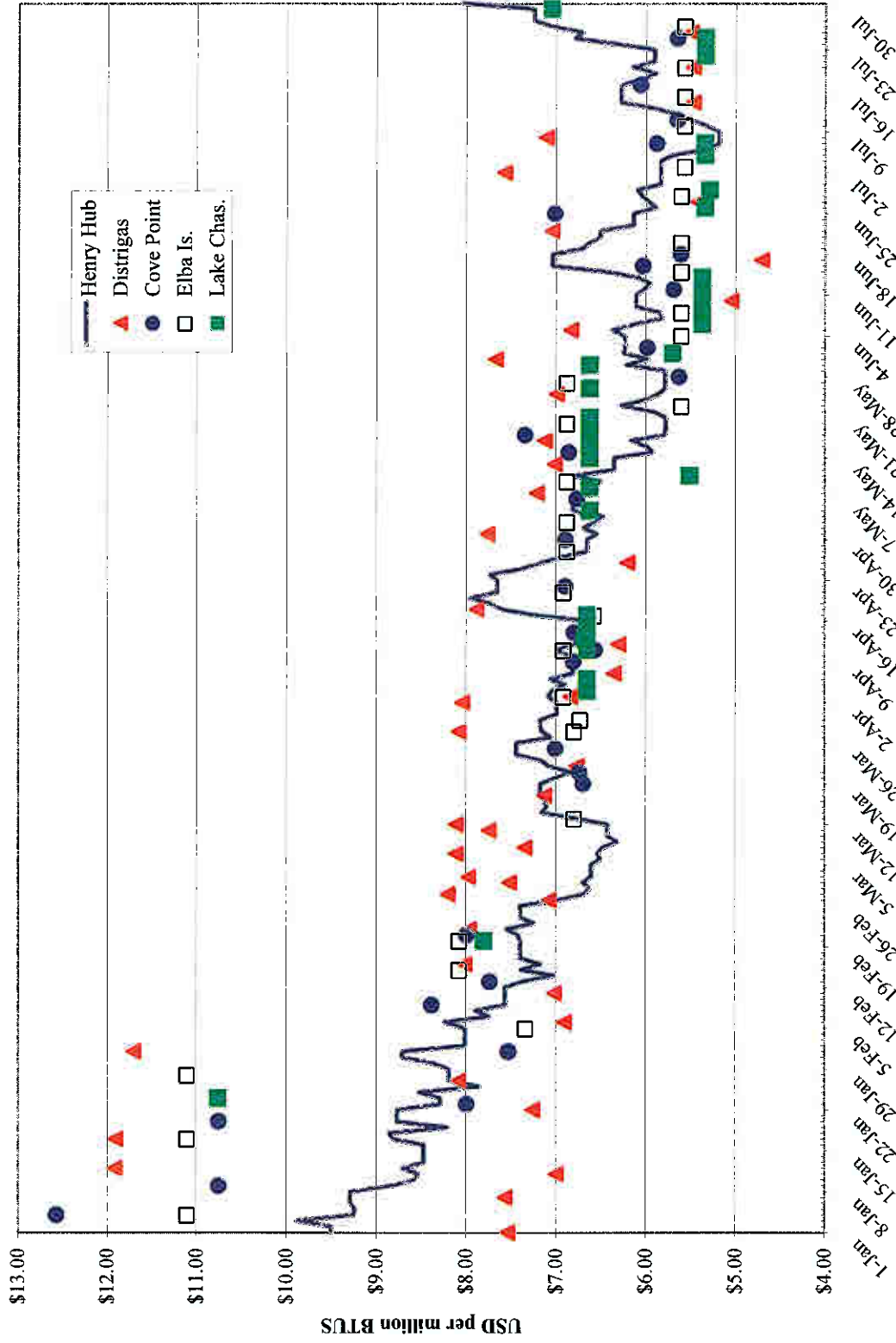
## **Chart 5: Atlantic Basin Import Terminals**

This chart presents share of market information on the 12 LNG import terminals in North America and Europe that NATS tracks. Spain, highly dependent on LNG for its supplies of natural gas, is by far the largest player in the market. The US is second, followed closely by France with only two import terminals. The UK, traditionally a gas exporter, is experiencing the same gas production declines that the US is experiencing, and is becoming a gas importer. LNG is slated to become a major source of imports over the next 5 years.

# Landed Cost of LNG Imports versus Henry Hub Cash Prices

Chart 1

January - July 2006

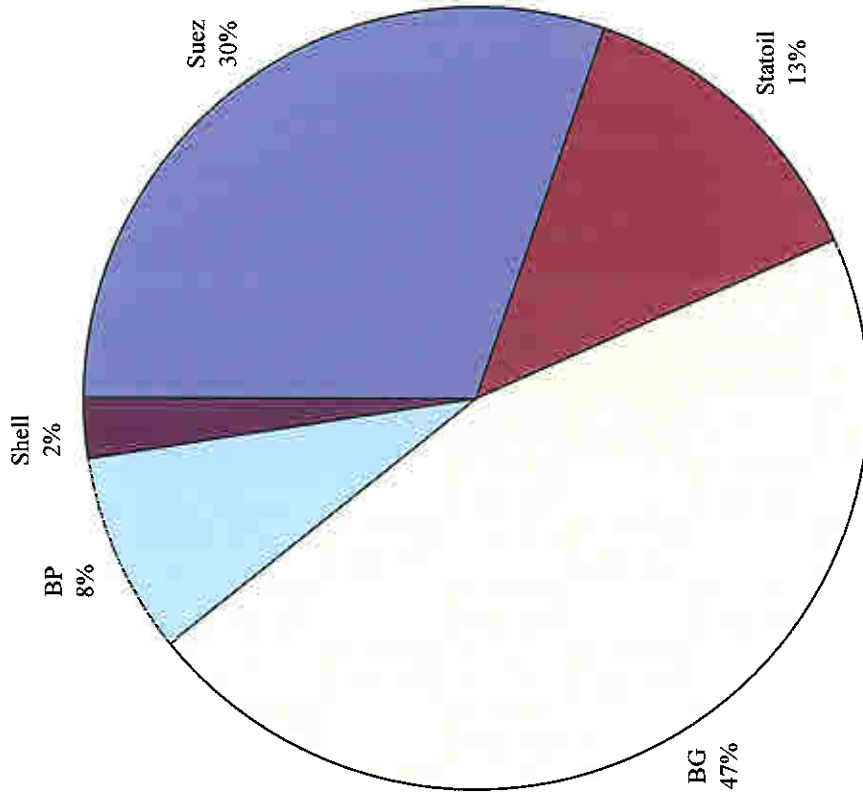


Source: Office of Fossil Energy, Office of Natural Gas Regulatory Activities, US Department of Energy

# Importers of LNG into the US

January - July 2006

Chart 2

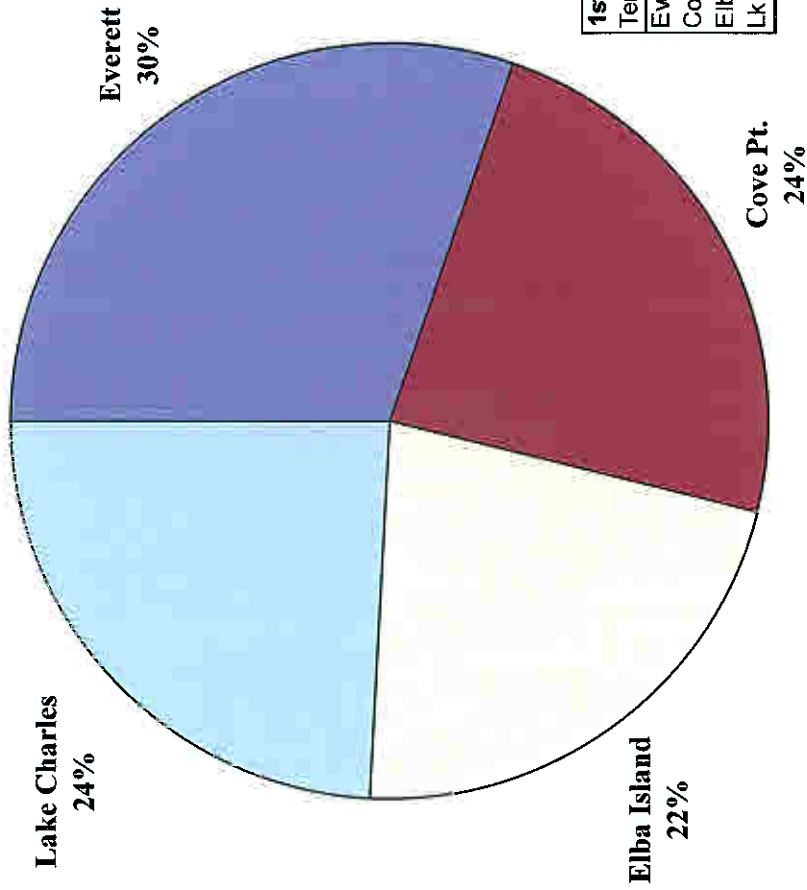


Source: Office of Fossil Energy, Office of Natural Gas Regulatory Activities, US Department of Energy

# US Imports of LNG, Market Share by Terminal

January - July 2006

Chart 3



Terminal	Weighted Average Cost
Everett	\$7.34
Cove Point	\$7.18
Elba Island	\$6.89
Lake Charles	\$6.29
All imports	\$6.95

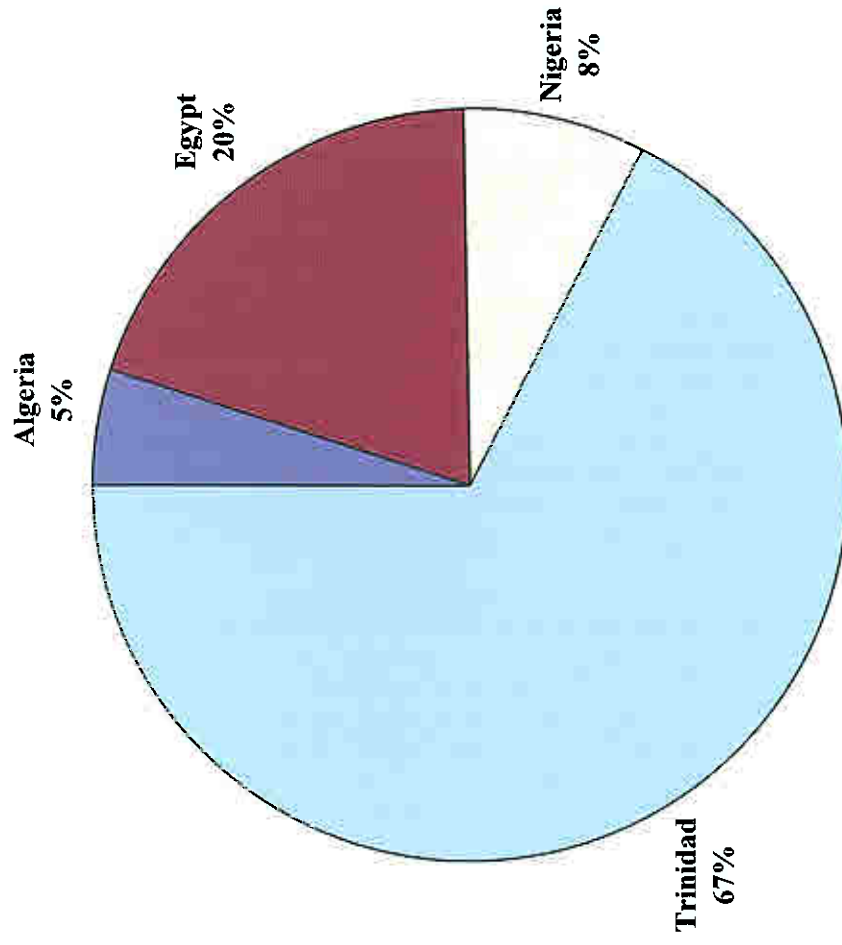
Terminal	2006	2005
Everett	108	102
Cove Point	84	139
Elba Is.	78	69
Lk. Chas.	86	55

Source: Office of Fossil Energy, Office of Natural Gas Regulatory Activities, US Department of Energy

# Countries of Origin of LNG

January - July 2006

Chart 4

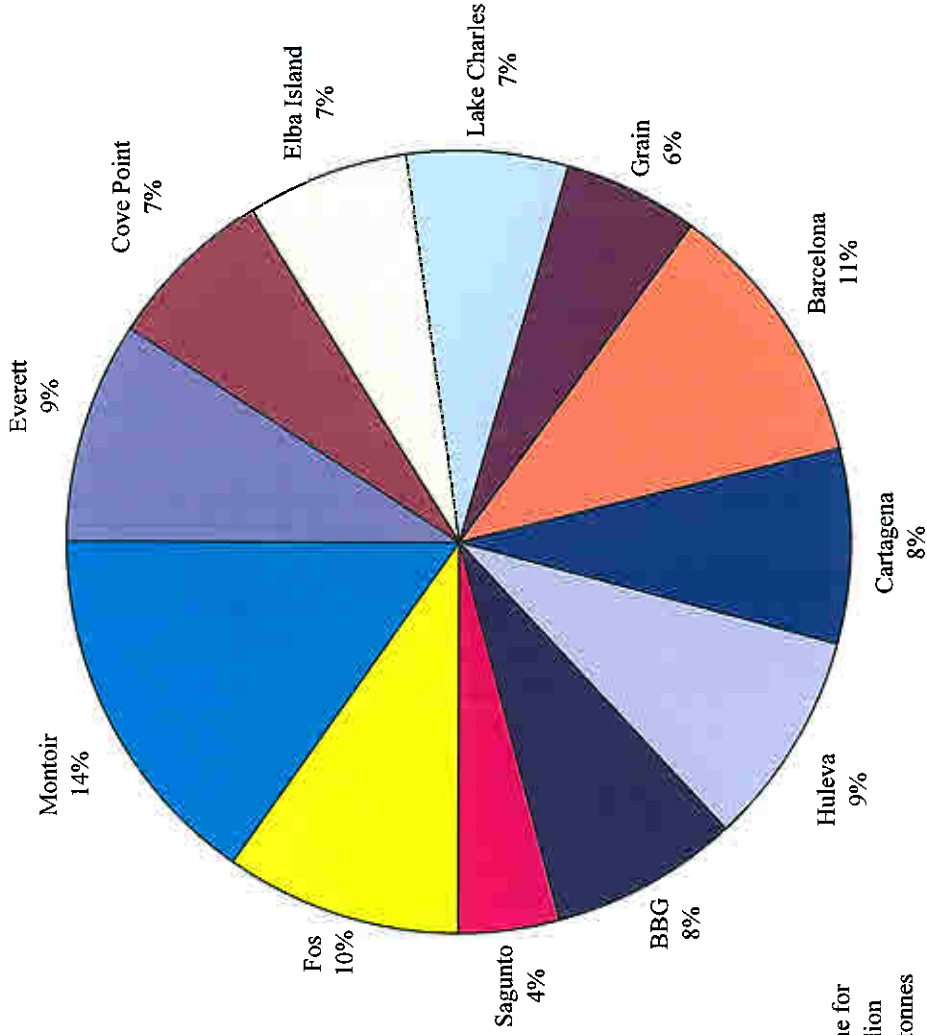


# Market Share of Atlantic Basin LNG Import Market

Chart 5

Does not include Zeebrugge, Italy or Turkey

Spain	40.14%
US	29.36%
France	24.97%
UK	5.53%



% of total regasification volume for seven months = 1,197,373 million cubic feet or about 26 million tonnes of LNG.