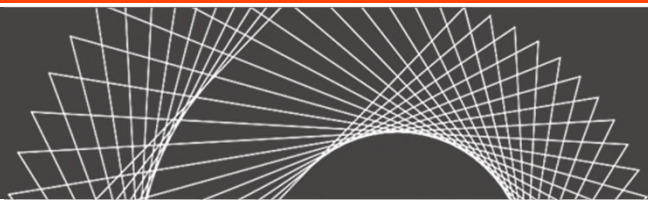


The Outlook for Global LNG

Mitigating Risk Today to Capitalize on Opportunities in a Post-Coronavirus World



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May 21, 2020

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Asish Mohanty

Gabe Procaccini

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Our Speakers



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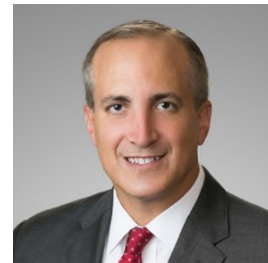
Nick Fulford
Global Head of Gas & LNG
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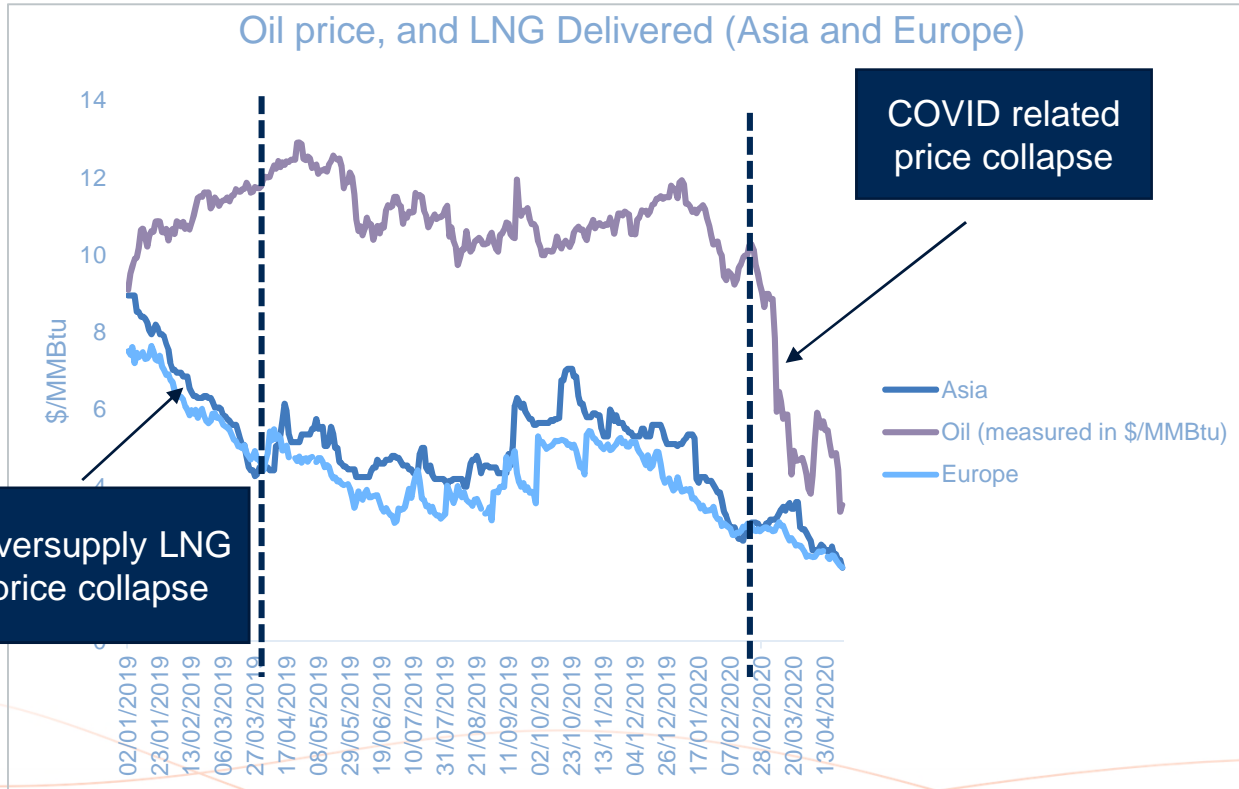


Asish Mohanty
Principal (Americas), Gas & LNG
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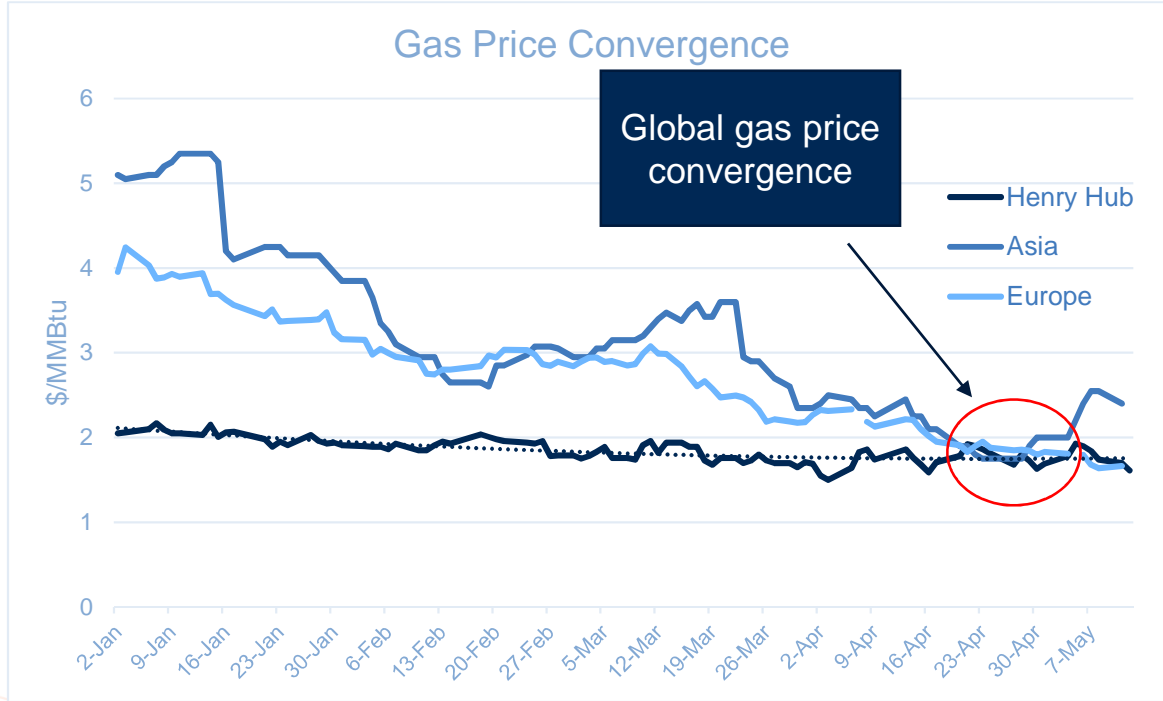
Gabe Procaccini
Partner
Akin Gump

Overview of current LNG market situation



- Global gas markets were in turmoil before COVID
- 15 month erosion in global spot prices
- Disconnection with oil
- Demand collapse has significantly affected Q2
- Europe struggling to absorb excess

US gas the most expensive in the world!



- Two weeks ago, US gas prices were higher than both European and Asian indices
- First time in history
- Spate of LNG cargo cancellations
- LNG FIDs being put on hold

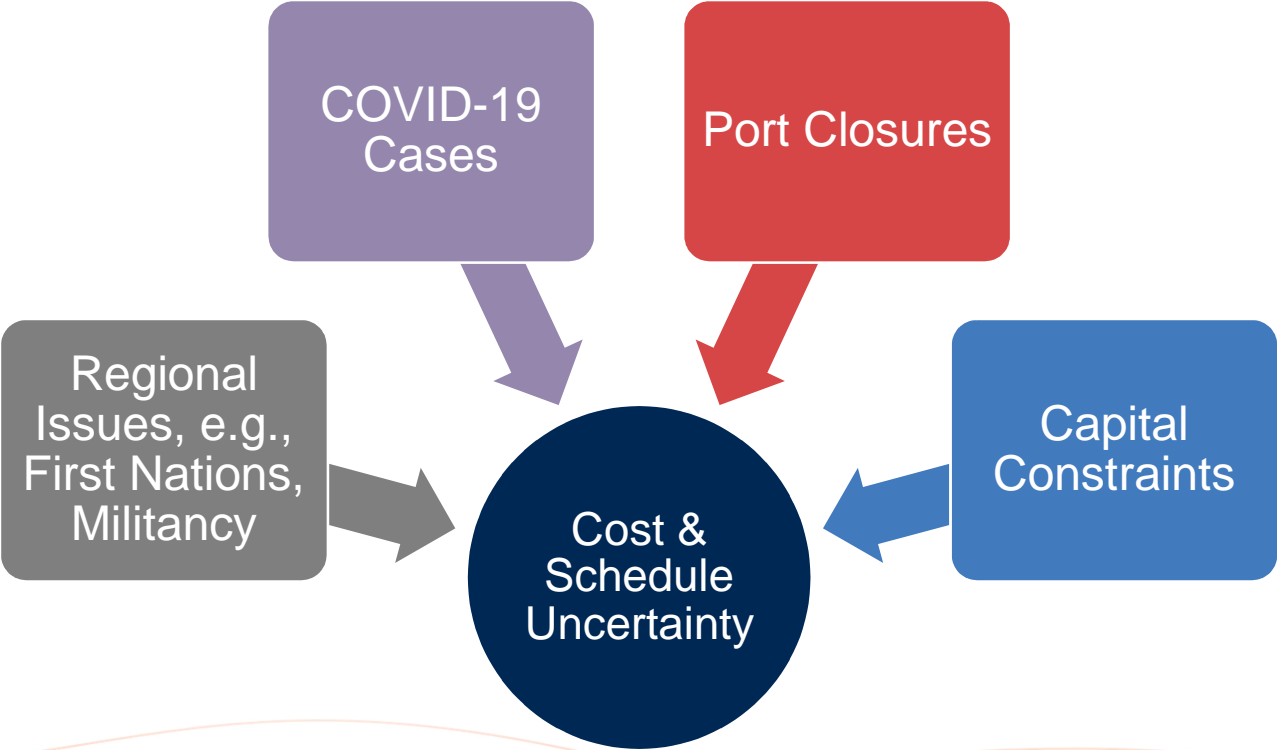
Force Majeure

1. What is force majeure (FM)?
2. What is an FM event?
3. Foreseeability
4. Notice of FM
5. Do COVID-19 events qualify as FM?
6. What happens if FM is not available?

Other Options for LNG Parties

1. Cargo Cancellations
2. Price Review
3. Flexible Quantity Adjustments
4. Destination Clause Flexibility
5. CSD Delays
6. Price Majeure

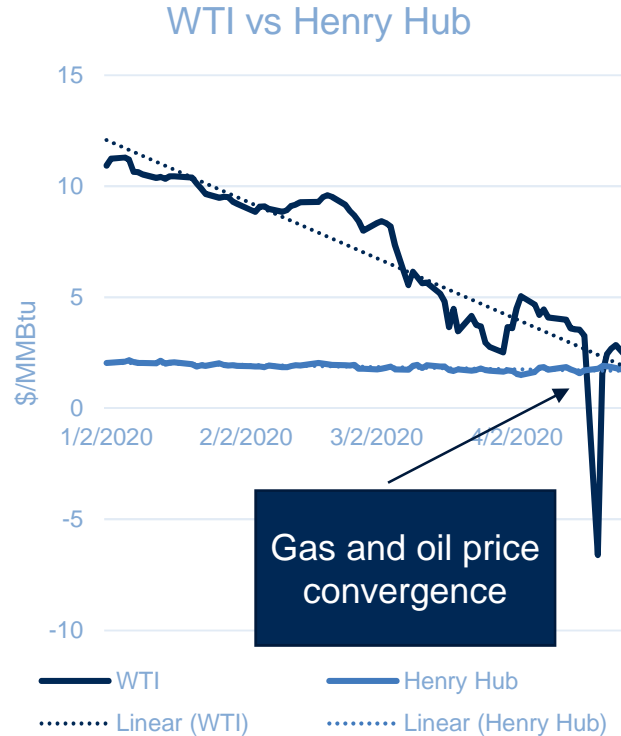
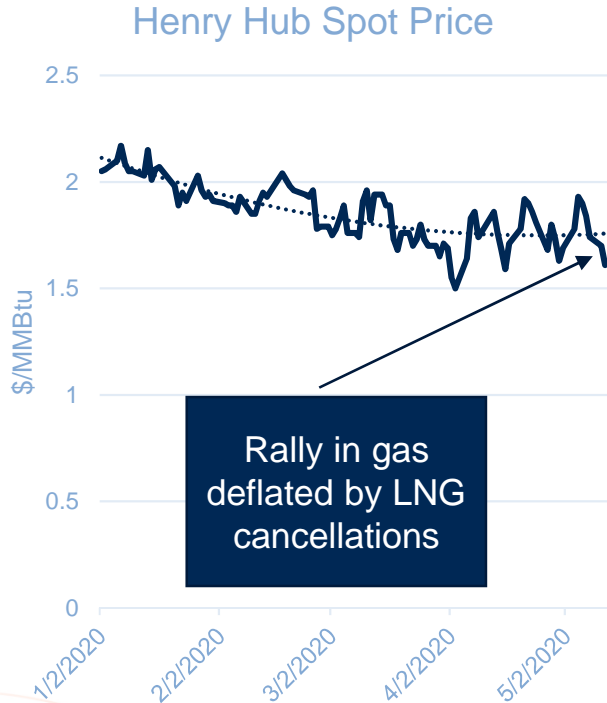
The COVID-19 crisis has impacted (already challenged) Under Construction Projects on multiple fronts ...



LNG Contracts Trend – High Level View

1. Trend toward greater reliance on spot contracts during the lower for long LNG price cycle.
2. Shorter duration LNG contracts.

Gas / Oil Dynamic Complexities



- US Gas Rigs have dropped by 50% in the last year
- Gas has not fallen with oil
- Upward pressure from drop in oil production
- Downward pressure from LNG cancellations.
- Sustainable investment in gas needs higher prices

Sample Royalty Provision

“Lessee covenants and agrees ... to pay Lessor for gas (including casing head gas and coal bed methane gas) of whatsoever nature or kind (with all of its constituents) produced and sold or used off the leased premises or used in the manufacture of products therefrom, **3/16 of the gross proceeds received** for the gas sold, used off the premises, or **in the manufacture of products therefrom** less a proportionate part of any production, severance and other excise taxes **but exclusive of costs** incurred by Lessee in **transporting**, processing, compressing or otherwise making merchantable **Lessor’s share of gas.**”

LNG Arbitration & Issues in New LNG Contract Negotiation

LNG Arbitration

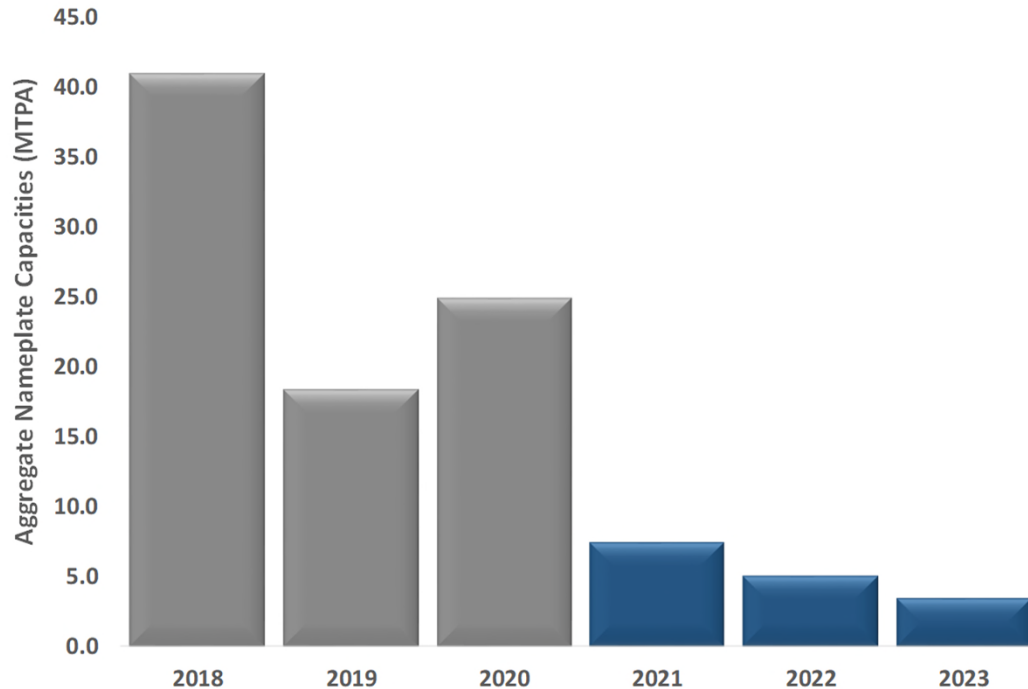
1. What types of arbitration are we likely to see – FM and price review.
2. Tips for arbitration for defending or prosecuting arbitration.
 - The details matter, so adhere to notice and other procedural requirements.
 - Optimize legal professional privilege.
 - Secure experts early.

New LNG Contract Negotiation

1. Pressure to change traditional FM clause approach for global COVID style events.
2. Push for even greater flexibility in certain contract terms.
3. Push for shorter price review periods.

New supply start-up expected to slow significantly

Global LNG Exports - Startups By Year



- Story of two halves!
 - 84 MTPA (2018 – 2020)
 - 16 MTPA (2021 – 2023)
- 2020 largely culminates the “first US wave”
- After that, lesser start-ups a result of very few FIDs between 2015 - 2017

Thank you for joining us!

Please submit any questions through the chat box feature.

