

Rio Grande LNG signs non-binding sales deals

Houston, 5 November (Argus) — NextDecade has signed non-binding agreements with Asian and European customers for the sale of 14mn t/yr of LNG, equivalent to 1.8 Bcf/d (51mn m³/d) of gas, from its planned Rio Grande LNG project in Brownsville, Texas.

“Despite challenging overall market dynamics, our experience in the marketplace and the conversations that NextDecade has been having with potential LNG buyers tell a very different story,” NextDecade chief executive Kathleen Eisbrenner said today. “The global market for US-produced LNG is robust.”

Texas-based NextDecade plans to make a final investment decision on Rio Grande LNG and the associated 140 mile (225km) Rio Bravo pipeline in early 2017. It would need to finalize some of the preliminary deals to finance the project, either as long-term liquefaction capacity or sales contracts. LNG customers have become increasingly reluctant to sign long-term deals for US liquefaction capacity since the significant fall in oil prices, which has made oil-indexed LNG from other sources cheaper.

Rio Grande is scheduled to come on line in late 2020 with initial production capacity of 9mn t/yr, and could be expanded to 27mn t/yr. The project previously said the first phase would have capacity of 13.5mn t/yr. At full build-out, Rio Grande has an estimated cost of \$23bn-27bn.

The project would be close to the prolific Eagle Ford shale formation but could get gas from a number of US producing basins, as the Rio Bravo pipeline would connect with as many as 10 other pipelines. NextDecade has a lease option with the Port of Brownsville for about 1,000 acres.

Rio Grande is in the US Federal Energy Regulatory Commission’s pre-filing review process, which is designed to identify major permitting issues and stakeholders before a formal application is filed for construction approval. The project has not applied to the US Department of Energy for export authorizations. Six LNG export projects have been proposed in the Brownsville area.

NextDecade in June raised a combined \$85mn from Valinor Management and Halcyon Energy Investors for Rio Grande and its proposed Pelican Island LNG export project in Galveston, Texas. Previously, York Capital Management provided an undisclosed amount of funding to NextDecade after South Korea’s Daewoo Shipbuilding & Marine Engineering (DSME) withdrew as a majority partner.

The 6mn-8mn t/yr Pelican Island project is scheduled to come on line 12-18 months after Rio Grande, depending on market conditions, so exports could begin in late 2021 to mid-2022, NextDecade told Argus today. NextDecade previously said Pelican Island would come on line in 2019.



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