Remarks of Matt Schatzman
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Good morning.

As you know, this plenary session is focused on business models for a competitive LNG market. The global LNG market is very competitive – perhaps more today than ever before. But what – and who – determines whether an LNG business model is "competitive"?

At NextDecade, we believe it is our customers who make that determination. We have spent a substantial amount of time and energy working with global LNG customers to determine what they are looking for from their LNG suppliers in today's dynamic and evolving market.

Many global LNG customers are interested in buying LNG indexed to oil and Henry Hub. Through our extensive marketing efforts, we have reached the conclusion that there is a limit to how much Henry Hub-indexed LNG many global LNG customers will purchase under long-term contracts. With nearly 80 percent of global LNG contracts indexed to oil, we find many global LNG customers limiting their long-term LNG contracts indexed to Henry Hub to no more than 20 percent of their total portfolio and in some cases, LNG customers have expressed no interest in buying LNG indexed to Henry Hub.

To serve the entire global LNG market, we believe U.S. projects and non-U.S. projects – which have historically offered LNG indexed only to Henry Hub and only to oil, respectively – must do something different.

LNG projects need to offer long-term LNG indexed to oil, Henry Hub, and potentially other indexes as the LNG market evolves over the coming years. We believe successful projects will be those that offer LNG on multiple indexes, providing customers the flexibility they are seeking in today's market.

Long-term LNG pricing is beginning to strengthen, reflecting the need for investment in new liquefaction capacity to alleviate the world's growing LNG supply gap. Facts Global Energy, an industry consultant, recently observed new oil-linked contracts in the low 12 percent range, and liquefaction fees in Henry Hub-indexed contracts in the mid-$2 range. This compares to the low 11 percent range and the low $2 range, respectively, in the previous 12 months. The firming up of long-term LNG prices indicates that LNG customers are engaging and beginning the contracting process to close the estimated 150 million ton per annum supply shortfall in 2025. I think it has become clear that incremental LNG supply from North America, and more specifically the U.S., will satisfy a large portion of this 150 million ton per annum supply shortfall. But which North American projects will succeed?

Lately, it has been North American LNG projects that will be constructed on balance sheet. In the past six months, both LNG Canada and Golden Pass made positive Final Investment Decisions or FID. Financing on balance sheet allows these projects the flexibility to begin construction without long-term contracts in place. However, the remaining North American LNG projects competing for a piece of the 150 million ton per annum prize will have some or all of their capital expenses financed off balance sheet, requiring 15- to 20-year contracts generating sufficient future cash flows to reach a positive FID. We believe the next wave of North American LNG projects to reach a positive FID will be those that can offer their customers superior pricing flexibility.

NextDecade is the first U.S. LNG supplier to offer long-term LNG supply indexed to Brent. We also offer long-term LNG supply indexed to Henry Hub, Agua Dulce and Waha, and we are exploring other indexes. For those not familiar with the U.S. gas market, indexing to Agua Dulce and Waha allows LNG customers to leverage South and West Texas gas prices, which are expected to trade below the Henry Hub.

We believe our ability to offer multiple pricing options maximizes our total addressable market and will ensure success for our Rio Grande LNG project, making NextDecade a leader among the next wave of LNG suppliers.

The ability to offer Brent pricing has been a game-changer for our Rio Grande LNG project. It has accelerated our commercial marketing and this past Tuesday, I announced that NextDecade and Shell signed a 20-year supply and purchase agreement or SPA for 2 million tons per annum. The SPA volumes with Shell will be delivered Free on Board with approximately three-quarters of the volumes indexed to Brent and the remaining volumes indexed to U.S. gas prices, including Henry Hub.

NextDecade has an extensive pipeline of LNG customers, in various stages of negotiations, and we anticipate a final investment decision on Rio Grande LNG, on up to three trains, by the end of the third quarter of 2019.

So how is NextDecade able to offer LNG indexed to Brent out of the U.S.?

The first wave of U.S. LNG exports was driven by shale gas, primarily in the Marcellus. The next wave of U.S. LNG exports is being driven by tight oil in the Permian Basin and the associated natural gas that is a byproduct of oil production.

NextDecade's strategy is to develop the largest LNG export solution linking Permian Basin associated gas to the global LNG market, creating value for producers, customers, and our shareholders. Our Rio Grande LNG project is strategically positioned to be a major demand center for Permian producers looking for gas flow assurance. The Permian Basin's economics are driven by oil production not by the associated gas production and, due to flaring restrictions, Permian producers must find long-term markets for their gas or risk not being able to produce their oil. We are working with the Permian producers to create the LNG products our customers want while offering the Permian producers gas flow assurance and potentially higher netbacks by linking their gas production to global LNG pricing, including Brent.

NextDecade's ability to offer multiple pricing options out of a single U.S. LNG export facility is a new, and we believe, "disruptive" model which creates a "win-win-win" for Permian producers, our LNG customers, and our shareholders:

1. Permian producers get long-term gas flow assurance to sustain oil drilling programs and gain access to the global LNG market;
2. Our global LNG customers secure superior pricing flexibility with no destination restrictions or revenue sharing; and
3. Our shareholders benefit through potentially higher dividends when oil prices are higher.

So, when we at NextDecade consider how to make our business model competitive, we listen to our customers. They consistently tell us, "flexibility," and that is precisely what we are offering: multiple LNG pricing options, including Brent indexation, to meet our customers' needs in today's dynamic and evolving global LNG market.

I look forward to the remarks of my fellow panelists, and to our discussion thereafter. Thank you.

[END OF PREPARED REMARKS]