Kinder Morgan Inc. (KMI) affiliate has asked federal regulators for permission to bring into service a fourth liquefied natural gas (LNG) production unit at the Elba Island Liquefaction project in Georgia.

In a letter to the Federal Energy Regulatory Commission on Monday, Elba Liquefaction Co. LLC, Kinder’s joint venture partner, asked the commission to authorize the full operation of the fourth liquefaction train at Elba Island starting early this year with a full 5.6 million metric tons of LNG per year (MMtyr) capacity.

The Elba Island project is a $6.5 billion joint venture between KMI and Mitsubishi Corp. (Mitsubishi). The project was announced in February 2015.

Elba Island is now the third largest LNG facility in the U.S., with two trains already in operation and a third train under way. Kinder is constructing the fourth train at Elba Island.

EIA Trims 2020 Natural Gas Price Forecast to $2.33; Relief Seen in 2021

Domestic natural gas production will continue to outpace consumption in 2020, resulting in Henry Hub spot prices averaging only $2.33/MMBtu for the year, a 24-cent decline from the 2019 average of $2.57/MMBtu, which in turn was down 59 cents compared with 2018 levels, according to the Energy Information Administration (EIA).

[...] cont’ pg. 3

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[...] cont’ pg. 4
LNG Freight Costs for Selected Routes

<table>
<thead>
<tr>
<th>Trade Route ($) / MMbbl</th>
<th>174k MEGI</th>
<th>160k TFDE</th>
<th>145k ST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benny / Montoir</td>
<td>0.973</td>
<td>0.977</td>
<td>1.025</td>
</tr>
<tr>
<td>Benny / Tokyo</td>
<td>2.071</td>
<td>2.060</td>
<td>2.149</td>
</tr>
<tr>
<td>Ras Laffan / Montoir</td>
<td>1.227</td>
<td>1.245</td>
<td>1.355</td>
</tr>
<tr>
<td>Ras Laffan / Tokyo</td>
<td>1.086</td>
<td>1.124</td>
<td>1.200</td>
</tr>
<tr>
<td>Dampier / Tokyo</td>
<td>0.694</td>
<td>0.728</td>
<td>0.786</td>
</tr>
<tr>
<td>Zeebrugge / Bahamas</td>
<td>1.255</td>
<td>1.297</td>
<td>1.357</td>
</tr>
<tr>
<td>Zeebrugge / Dahej</td>
<td>1.256</td>
<td>1.267</td>
<td>1.443</td>
</tr>
<tr>
<td>Zeebrugge / Tokyo</td>
<td>2.095</td>
<td>2.179</td>
<td>2.264</td>
</tr>
<tr>
<td>Sabine / Bahamas</td>
<td>1.274</td>
<td>1.322</td>
<td>1.376</td>
</tr>
<tr>
<td>Sabine / Dahej</td>
<td>1.689</td>
<td>1.965</td>
<td>2.029</td>
</tr>
<tr>
<td>Sabine / Tokyo</td>
<td>1.869</td>
<td>2.237</td>
<td>2.099</td>
</tr>
<tr>
<td>Sabine / Zeebrugge</td>
<td>0.550</td>
<td>0.987</td>
<td>1.025</td>
</tr>
<tr>
<td>Port Morelosy / Tokyo</td>
<td>0.673</td>
<td>0.708</td>
<td>0.752</td>
</tr>
</tbody>
</table>

Source: Fearnleys (www.fearnleys.com). Assumes cold vessel. Speed used is 17 knots on laden passage and 16 knots on ballast passage.

Spot LNG Vessel Rates ($USD/day)

<table>
<thead>
<tr>
<th>Vessel Type / Region</th>
<th>Vessel Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>174k XDF / MEGI</td>
<td>West: 108,000 East: 97,000</td>
</tr>
<tr>
<td>156k - 160k TFDE</td>
<td>West: 92,000 East: 85,000</td>
</tr>
<tr>
<td>138k - 145k ST</td>
<td>West: 73,000 East: 69,000</td>
</tr>
</tbody>
</table>

Pacific Voyage Parameters
- 100% Hire & Fuel on the BB to Load Port
- Middle East Voyage Parameters
- 100% Hire & Fuel on the BB to Load Port
- Atlantic Voyage Parameters
- 100% Hire & Fuel on the BB to Load Port

Source: Fearnleys (www.fearnleys.com)

Daily Prompt Oil Linked Asia Parity Prices 14-Jan-2020

<table>
<thead>
<tr>
<th>Contract</th>
<th>Cur/Unit</th>
<th>Settle</th>
<th>Chg</th>
<th>% Chg</th>
<th>Settle ($/MMBtu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JPN/KOR</td>
<td>$5.300</td>
<td>$5.300</td>
<td></td>
<td>0.0%</td>
<td>$5.300</td>
</tr>
<tr>
<td>NDP</td>
<td>$29.10</td>
<td>$29.10</td>
<td>-0.1%</td>
<td>-0.2%</td>
<td>$3.788</td>
</tr>
<tr>
<td>TTF</td>
<td>$11.30</td>
<td>$11.30</td>
<td></td>
<td>-0.2%</td>
<td>$3.685</td>
</tr>
</tbody>
</table>

Henry Hub
- $US/MMBtu: $2.187
- $0.005
- 0.2%

NPD & TTF converted to $US/MMBtu using same month forex futures contracts.

Source: CSI, NGI calculations

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Note: Oil linked parity figures tend to serve as a cap on Asian LNG market prices.

Source: CSI, METI, NGI calculations
venture with EIG Global Energy Partners, said the Movable Modular Liquefaction System No. 2 facilities would be ready for service on Thursday (Jan. 16). The first, third and fourth trains already are operating, with the first cargo from Unit 1 exported last month.

All 10 of the 0.3 million metric tons/year units at the terminal near Savannah, GA, are expected to enter service by the end of the summer.

The fourth train’s projected ramp up comes as feed gas deliveries to Lower 48 export facilities have taken a hit after establishing fresh record highs. Genscape Inc.’s estimate of feed gas flows for Monday set a record high by getting within inches of 8.8 Bcf/d, but Tuesday’s volumes retreated nearly 0.7 Bcf/d, primarily from deliveries to Cheniere Energy Inc.’s Sabine Pass facility in Louisiana dropping to an 18-day low.

Feed gas deliveries to Elba Island continue to hover north of 109,000 Dth, according to NGI’s U.S. LNG Export Tracker.

Russia’s Nord Stream 2 gas pipeline to move supply into Europe has been delayed because of recent U.S. sanctions. The 1.9 Tcf/year pipeline eventually will be completed, but the delay could limit growth in Europe’s imports from Russia this year, according to EBW Analytics Group.

“That, in turn, could provide some headroom for U.S. LNG shipments and help soak up a global supply glut, although European inventories remain very well-stocked so incremental demand is likely to be modest overall,” the firm said.

KMI also has sold all of the roughly 25 million shares of Pembina Pipeline Corp. stock received from selling the Canadian company the U.S. segment of the cross-border liquids pipe, Cochin Pipeline. Proceeds are to be used to pay down debt.

...cont’pg. 4
During KMI’s third quarter earnings call, management had indicated it was targeting growing dividend payments this year and investing $2.4 billion in expansions and joint ventures. KMI’s 4Q2019 earnings call is set for Jan. 22.

...from PRICES - EIA Trims 2020 Natural Gas Price Forecast, pg. 1

The 2020 price forecast is down 12 cents from the prognostication in EIA’s previous Short-Term Energy Outlook (STEO).

In the latest STEO released Tuesday, EIA said it expects “some upward price pressures to emerge in 2021 because of falling natural gas production that stems from the low prices forecast in 2020.”

While falling demand should limit upward price movements, EIA still expects Henry Hub spot prices to average $2.54/MMBtu in 2021.

The front-month natural gas futures contract for February delivery at the Henry Hub settled at $2.17/MMBtu on Jan. 9, down 16 cents/MMBtu from Dec. 2.

“Prices traded in an overall band of 37 cents/MMBtu in December, the narrowest December trading band on record going back to 1990,” EIA said. “December was significantly warmer than normal, which is evidenced by the sharp drop in heating-degree days below the normal number for December…

“December 2018 followed a similar pattern when milder-than-normal temperatures led to declining prices. However, this year’s inventory levels are much higher. Natural gas inventories on January 3, 2020 were 19.8% higher than this time last year, which contributed to the lowest natural gas futures prices in January since 2016.”

Total domestic gas production averaged an estimated 85.3 Bcf/d in 2019 and is expected to increase by 1.4 Bcf/d (1.7%) in 2020 before falling back 1.0 Bcf/d next year. At the same time, EIA estimates dry gas production will average 94.7 Bcf/d in 2020, a 2.9% increase compared with 2019.

Electric generation, the largest natural gas-consuming sector in the United States, used an average 31.0 Bcf/d in 2019, a 7% increase compared with 2019.

Consumption is expected to slow in 2020, increasing by 1.3% before decreasing by 3.2% in 2021.

“Declining power sector consumption in 2021 reflects increased competition from renewable sources of electricity generation as a result of continuing renewables capacity additions,” EIA said. “Declining natural gas consumption also reflects a forecast of higher natural gas spot prices in 2021 compared with 2020, which would make natural gas less competitive against coal in power markets.”

Combined residential and commercial consumption will average 23.2 Bcf/d in 2020, down 1.0% compared with 2019, according to the STEO. The lower consumption reflects lower forecast space heating demand and EIA’s forecast of 1.8% fewer heating degree days (HDD) in 2020 compared with last year. Industrial sector consumption is expected to increase 4.6% in 2020 and then remain flat in 2021.

The expected growth in gas production this year “is largely in response to improved drilling efficiency and cost reductions, higher associated gas production from oil-directed rigs, and increased takeaway pipeline capacity from the Appalachian and Permian production regions,” EIA said. “Forecast natural gas production growth is also supported by planned expansions in liquefied natural gas (LNG) capacity and increased pipeline exports to Mexico.

“The decline in natural gas production in 2021 is in response to a forecast of low natural gas spot prices in 2020 that reduces drilling activity in the Appalachian Basin.”

EIA is forecasting net natural gas exports to increase and average 7.3 Bcf/d in 2020 and 8.9 Bcf/d in 2021. U.S. LNG exports averaged 5.0 Bcf/d in 2019 and are expected to increase to 6.5 Bcf/d in 2020 and 7.7 Bcf/d in 2021.

“U.S. natural gas exports to Mexico via pipeline have also increased as more infrastructure has been built to transport natural gas both to and within Mexico,” EIA said. “U.S. pipeline exports to Mexico through October averaged 5.1 Bcf/d, increasing by 10% in 2019 compared with the same period in 2018. Exports to Mexico should continue to increase as more natural gas-fired power plants come online in Mexico and more pipeline infrastructure within Mexico is built.”

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