

Can Cheap Natural Gas Save the U.S. Construction Industry?



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Construction spurred by the possibility of exporting cheap natural gas from the U.S. should give design professionals, contractors, suppliers, and manufacturers a needed lifeline if they position themselves now to take advantage of the impending opportunity.

The natural gas industry in the U.S. has been booming in recent years, thanks in large part to hydraulic fracturing, or “fracking,” the relatively new process for extracting previously inaccessible shale gas. In fact, proven reserves of natural gas in the U.S. almost doubled between 2008 and 2009, and, in 2009, the U.S. passed Russia to become the world’s largest producer of natural gas.

These large supply increases have driven the price of natural gas in the U.S. down substantially compared to the prices in other countries, with U.S. prices currently approximately one-fourth the price for natural gas in Japan and half the price for natural gas in the United Kingdom. These price differentials give companies a large financial incentive to convert U.S. natural gas into liquefied natural gas (LNG) and export it to the global market, if they can obtain the necessary regulatory approvals and necessary financing to fund the multi-billion dollar projects.

Before a company can build and operate an export terminal capable of chilling natural gas to convert it into exportable LNG, it must receive authorization from both the U.S. Department of Energy’s (DOE) Office of Fossil Energy and the Federal Energy Regulatory Commission (FERC). To date, only one proposed export terminal has received the necessary approval from both the DOE and FERC: the Cheniere/Sabine Pass LNG export terminal project in Sabine, Louisiana. Cheniere Energy anticipates spending between \$4.5-billion and \$5-billion to convert its existing LNG import terminal in Sabine, Louisiana into an LNG export terminal,

and has already awarded a \$3.9-billion contract to Houston, Texas based engineering company Bechtel Oil, Gas and Chemicals Inc. to design and construct the natural gas processing units. This project should spur many opportunities in and around Louisiana and Texas for contractors, suppliers, and manufacturers of the equipment and labor necessary to build the massive, and technologically advanced facility.

In addition, multiple other proposed LNG export facilities have received authorization from the DOE to export to at least some countries, but do not yet have authority to proceed from FERC. These proposed export terminals would be located throughout the country, and include the Freeport LNG project in Texas; the Lake Charles project in Louisiana; the Dominion Cove Point LNG project in Maryland; and the Jordan Cove project in Oregon. If each of these multi-billion dollar projects receive the necessary approval from FERC and are able to obtain the necessary financing, they would spur opportunities over the coming years for qualified design professionals, contractors, suppliers, and manufacturers throughout the U.S. Of course, some or all of these projects could still be derailed if FERC refuses to authorize them to proceed because of domestic cost or environmental concerns, or if LNG market conditions change such that constructing these export terminals is no longer economically attractive. Nevertheless, if some or all of these projects are approved and get the necessary financing, the coming years will see multiple privately-funded, multi-billion dollar construction projects throughout the U.S., which should be enough to motivate all participants in the construction industry to position themselves to reap the benefits of this possible impending construction boom.

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