

# Future increases in US natural gas exports and domestic prices may not be as large as thought: study

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(Phys.org) -- Amid policy debate over potential liquefied natural gas (LNG) exports from the United States, a new paper from Rice University's Baker Institute for Public Policy predicts the long-term volume of exports from the U.S. will not likely be very large. The paper also argues that the impact on U.S. domestic natural gas prices will not be large if exports are allowed by the U.S government.

Significant changes in the global gas market in the past decade, particularly the emergence of shale in North America, have dramatically altered the global outlook for LNG markets and fueled the commercial aspirations of firms seeking to seize the apparent profit opportunity offered by exports. The altered outlook has also raised the concern that allowing exports from the U.S. will force prices up and negatively impact industrial activity and household budgets.

The paper, "U.S. LNG Exports: Truth and Consequence," was authored by Kenneth Medlock, the Baker Institute's James A. Baker III and Susan G. Baker Fellow in Energy and Resource Economics and an adjunct professor and lecturer in Rice's Department of Economics.

"The lens that has been offered policymakers to address the question of U.S. LNG exports is inappropriate because it assumes a level of exports without accounting for the international market reaction," Medlock said. "The question before policymakers is one of licensing a capability, not

licensing a fixed volume. Therefore, this issue must be viewed in the context of international trade if informed [policy decisions](#) are to be made."

Previous studies on the impact of U.S. LNG exports on domestic prices have assumed a particular volume of LNG exports from the U.S. when assessing the domestic price impact, but they did not allow for domestic and international market interactions. This is a serious flaw, said Medlock, because market interactions will influence price movements and trade volume.

"The bottom line is that certification of LNG exports will not likely produce a large domestic price impact, although the entities involved may be exposed to significant commercial risk," Medlock said. "As the story plays out, the international gas [market](#) will evolve into something dramatically different from what it is today."

**More information:** he study, "U.S. LNG Exports: Truth and Consequence":

[bakerinstitute.org/publications/US](http://bakerinstitute.org/publications/US)

[%20LNG%20Exports%20-%20Truth%20and%20Consequence%20Final\\_Aug12-1.pdf](#)

Medlock bio: [www.bakerinstitute.org/personn ... ws-scholars/kmedlock](http://www.bakerinstitute.org/personn...ws-scholars/kmedlock)

Provided by Rice University

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