



7 Incredible Numbers From Canada's Looming LNG Boom

Description

Earlier this week, there was more rumbling out of the natural gas industry. On Tuesday, the [National Post reported](#) that China's **CNOOC** deposited \$12 million with the British Columbia government to secure lands for a potential liquefied natural gas, or LNG, facility.

This is just the latest move by global oil majors to position themselves for what could be the next major development in the energy industry. And when you understand the scale of this development, investors start to appreciate the profit bonanza natural gas exports could bring.

Here are the seven most incredible numbers from B.C.'s looming LNG boom.

1) 400 million tonnes per annum

According to the EIA, global LNG demand is expected grow 50% to 400 mtpa by 2025. Japan and South Korea represent almost half of the LNG import market. Though emerging economies — such as India, Malaysia, and China — have a growing energy appetite as well. Based on current trends, global LNG demand could outstrip supply as early as 2015.

2) \$18/mcf

With soaring demand and tight supplies, LNG is trading between \$16/mcf and \$18/mcf in Asia. By contrast, natural gas at Alberta's AECO hub currently trades between \$2/mcf to \$3/mcf. There's an enormous profit opportunity for exporters to buy cheap North American gas and resell in Asia for a steep markup.

3) \$35 billion in capital spending

Today, 10 LNG exports projects have been proposed on the west coast. The three projects that are most likely to be approved are the **Shell/PetroChina** project, the **Apache/Chevron** project, and the **Petronas** project. The combined capital cost to build all three of these facilities is estimated to be between \$30 billion and \$35 billion.

4) \$1 trillion in gross domestic product

According to estimates provided by the British Columbia provincial government, constructing only five of the ten proposed facilities will generate over \$1 trillion in cumulative GDP by 2046. As construction ramps up, LNG exports could generate 100,000 jobs in Western Canada. Of course, these numbers are likely optimistic but they speak to the scale of this development.

5) \$260 billion in taxes

Once again, according to projections by the B.C. government, constructing five LNG export facilities would generate between \$130 billion and \$260 billion in tax revenue over the lifespan of these projects. Premier Christy Clark has promised that the new tax revenue will help build a \$100 billion prosperity fund which over the next 30 years could be used to erase the province's debt.

But did you notice that wide range? Taxes are the biggest uncertainty facing LNG development. Until the provincial government nails down a firm policy, energy majors will be hesitant to commit their investment dollars.

6) 1,370 kilometres

Of course, LNG exports will also create lots of spin-off opportunities for investors. If LNG exports take off, there will have to be massive investment in infrastructure to supply west coast ports. The drive from Kitimat, B.C. to Edmonton, Alberta is 1,370 km. That roughly how long any new natural gas pipelines will need to be to connect the two hubs.

Enbridge (TSX: ENB, NYSE: ENB) would be a big benefactor from this development. The company has the largest pipeline network in Western Canada. Higher demand from exports would jump-start the company's lagging gas shipping business. **Horizon North Logistics** (TSX: HNL) would be another winner. The company provides lodging and catering services for resource companies which will be needed during any pipeline construction.

However, these are only a few ideas. The pin action for LNG construction spending would be widespread.

7) 124 billion cubic feet per day

There is more than 124 billion cubic feet per day of LNG export capacity currently proposed along B.C.'s coast. If even a fraction of that is approved and constructed, it could put a serious bid under natural gas prices. This would spur further development of Canada's large gas fields including the Horn River, the Montney, and the Duvernay. Great news for the country's struggling natural gas producers like **Encana** and **Talisman**.

Precision Drilling (TSX: PD, NYSE: PDS) will be a big beneficiary of this development. The company has the ultra deep, high spec rigs ideal for these plays. Higher capital spending for the upstream producers would be a big catalyst for this stock.

Foolish bottom line

That stats speak for itself: Canada's LNG boom could be the next big development for North America's energy industry. And while the companies mentioned here are certainly poised to benefit, large-scale

LNG spending could be a catalysts for many other firms in the oil patch.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PDS (Precision Drilling Corporation)
3. TSX:ENB (Enbridge Inc.)
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