

Turab Musayev: Thoughts on U.S. Policy Changes on LNG and China

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With the election of U.S. President Joe Biden, we are seeing a major shift in one of the world's largest petroleum consumers. President Trump had embraced an America First strategy, using national assets to reduce the country's dependence on foreign petroleum products. However, upon taking office, [President Biden closed down construction on the Keystone XL Pipeline](#) while making moves to shut down pipelines overseas, including making waves over Russia's LNG pipeline to Germany. At the same time, he is trying to thaw relationships with China, which saw increased tariffs under Trump. But what does this mean for long-term investment in LNG?

Despite these changes, long-term catalysts for the demand for LNG have not gone away. LNG remains a baseload fuel of choice. It's considered the next best option in terms of environmental impact following renewable energy sources. Because of its ease of transport, it will continue to transform natural gas into a solid global commodity. Many countries are heavily underinvested in power generation, specifically in Africa and Southeast Asia, with some countries in Latin America also featuring significant power generation underinvestment, and LNG is a natural fuel source for these countries.

Though there are many investment projects in the works for LNG production around the world, many of them have fallen by the wayside due to the chaos created by the COVID-19 pandemic, including investments from oil and gas companies that should be leading the charge for these types of projects. As these projects resume, we can expect to see the growth that will outpace the new supplies, which will cause more spikes in [LNG pricing](#) throughout the year.

With the changes in policy between the US and China, China may be well-situated to see



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significant economic growth. Due to China's dependence on LNG for production, I believe this will increase demand for LNG significantly in the upcoming years, creating a great opportunity for investment. But what kind of investment themes can we expect to see in 2021?

The most prominent theme will involve import terminals. When located and constructed in the right countries where LNG will continue to be a growth driver, import terminals will provide a wonderful opportunity for those with the skills to execute these projects. As our world picks itself up and dusts off the remnants of the economic damage caused by the pandemic, many countries will be poised for significant growth, but only if the proper infrastructure for energy production is already in place.

Accessing the physical optionality for LNG volumes is a process that will require the right setup and experience in addition to having access to the necessary capital or financing to pull off the project. Working with experienced companies in these projects can make the difference between a successful investment and a failed infrastructure project.

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