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Liquefied Natural Gas Exports as a Tool to Enhance U.S. Influence in the Asia-Pacific Region

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Abstract. As a result of the “shale revolution,” the U.S. could emerge as a liquefied natural gas (LNG) exporter. APR countries, major LNG importers – Japan and South Korea included, became a premium market for its commercialization. Due to economic factors of U.S. LNG projects, the U.S. has determined the trend of LNG trade development in the region, and its political leaders intend to use the exports for providing “energy dominance” of the U.S. The aim of this article is to appreciate the prospects of transforming LNG exports into a tool of economic and political influence of the U.S. in the APR.

Keywords: *Asia-Pacific Region (APR), the United States, Japan, liquefied natural gas (LNG), “energy dominance,” Asian bonus, Donald Trump.*

The shale revolution in the gas producing industry possible due to broad-scale use of deviated drilling and hydraulic fracturing technique in the process of natural gas reservoirs development in shale plays has changed the energy image of the United States. The state that until recently considered the construction of new liquefied natural gas import terminals has launched an active campaign of converting the available infrastructure into the export one. The shale gas extraction growth led to a drop in domestic prices and made manufacturers to analyze the prospect of selling fuel in the commercially prospective markets. The Asia-Pacific Region became the area for U.S. LNG sales. The prospects of a large profit as well as the growth of the demand for energy resources in the APR countries (the region as a whole accounts for 72% of the global demand for LNG) encouraged natural gas manufacturers in the U.S. to think of export precisely to countries of this region. Its major importers – Japan, South Korea, and China – are located there.

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The abovementioned countries are interested in the diversification of their energy flows at the expense of U.S. natural gas. Japan and South Korea, major LNG importers, would like to have its price determined by the rules of competitive trade and market mechanisms. For China, the emergence of a new natural gas supplier in the APR means not only the country's possible energy balance diversification but also its real influence on partners in the course of pipeline gas supplies negotiations.

Over recent years, a significant transformation in the APR LNG market caused by the reduction of oil and, consequently, LNG prices pegged to oil quotations and by a launch of a number of LNG projects that have essentially increased the supply of this product in the market has taken place. The essence of changes, radical for all members of the energy marketing in the APR, is in the transformation of the regional market into the consumer market where the importers have the right of formulating new rules of natural gas purchase and sale. A low pricing environment and stiffer competition of suppliers for Asian natural gas consumers have formed a new competitive environment for American LNG exporters the commercial potential of which under the conditions of the oversupplied market is significantly lower than expectations that have motivated the decision to sale LNG in foreign markets.

Nevertheless, the conversion of the United States into a LNG exporter starting with the first supplies to APR countries within the framework of long-term contracts in 2017, could be regarded a *fait accompli*. According to the U.S. Energy Information Administration's forecasts, by 2020, the country could become the third largest LNG producer after Australia and Qatar.

Observing business activity in the domestic market the leaders of the country decided to convert economic achievements into a political advantage for guaranteeing U.S. leadership in the region. First steps in this direction were made by Obama administration. President Trump gave a new dimension to the already started processes of expanding LNG trade in the APR when he announced the launch of the U.S. energy dominance policy at the end of June 2017.¹ The administration intends to use the country's energy resources as a tool of U.S. foreign policy. Unlike President Obama, D. Trump demonstrates strongly pronounced inclination to the bilateral energy interaction in the region instead of multilateral cooperation formats.

Economic and political aspects of American LNG exports to the APR market are a subject of discussions in the political circles of the U.S. and the region's countries as well as the expert community. The diversity of publications devoted to this subject can be divided into several categories. Earlier publications mainly analyzed economic consequences of the American LNG exports for the U.S. domestic market and were aimed at presenting to legislators grounds for expanding LNG trade.² In a number of works, the LNG exports are studied in the context of international natural gas trade.³ A wide range of publications are devoted to strategic dimension of energy resources trade (and

LNG, in particular) in the region and cooperation and competition in the energy sphere.⁴

Before the shale revolution the U.S. exported natural gas mainly through pipelines to Canada and Mexico. In 2013, its North American neighbors accounted for practically 99% of the exported gas. Since 1969, comparatively small volumes have been supplied to Japan as liquefied gas from the Kenai LNG Plant in Alaska.⁵ Before completing the erection of the export terminal in Louisiana, it was the only terminal in the U.S. exporting LNG. In 2010, the Office of Fossil Energy of the U.S. Department of Energy permitted import terminals to reexport LNG unclaimed in the U.S. to world markets.

Traditionally, the sector of natural gas trade in the U.S. has been subject to heavy federal regulation. According to section 3 of the Natural Gas Act (1938), producers' applications for the exportation through a pipeline or as LNG are approved by the Department of Energy.⁶ The law obliges the department to grant applications unless it is found that "the proposed exportation or importation will not be consistent with public interest." This rule in no small part applies to trade with the countries which do not have agreement on free trade area (FTA) in force with the U.S. National treatment provision applies to the FTA countries and national gas exportation project licenses are granted without delay. These countries include Australia, Bahrain, Canada, Chili, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru, Singapore, and South Korea. Only South Korea, among them, is a major LNG consumer. Japan, world leader in LNG imports, China and India demonstrating the largest growth of demand for this product, and the developing economies of Southeast Asia interested in diversification of their energy balance by means of record cheap LNG are commercially most attractive markets for LNG producers in the United States but are beyond the framework of the free trade area. Consequently, export projects in relation to these countries are thoroughly examined.

At present, only one export terminal is operating in the U.S. It is Sabine Pass (Louisiana) belonging to the Cheniere Energy company, apart from the Kenai export terminal in Alaska that was involved in LNG exports (mainly to Japan) in 1969 but suspended its operation in 2012. In addition, four more terminals in Texas, Louisiana, and Maryland are at the stage of construction. According to forecasts, they are to be commissioned in 2021 and in total, can ship up to 9.2 billion cubic feet of LNG per day, which was the imports daily quota of Japan in 2015. As of mid-January 2017, 13 export terminals are at the stage of approval by the Department of Energy and the Federal Energy Regulatory Commission.

A large number of applications of the companies wishing to export LNG to the APR market are caused by an "Asian bonus" – a price gap between the cost of the resource in the American and Asian markets. From January 2008 to December 2014 (before meltdown of oil quotations), natural gas production in the U.S. increased sevenfold, which resulted in the price of the resource lowered in the domestic market from almost \$12/MBtu in 2006 to \$4/MBtu in 2014.⁷ At

the same time, the LNG price in the APR markets ranged from \$11 to 17/MBtu. As LNG prices in the region are indexed according to oil quotations,⁸ in late 2014, the Asian bonus reduced in proportion to the oil price. In December 2016, the LNG cost was \$7.7/MBtu,⁹ the price in the LNG spot market in April 2017, was \$5/MBtu. For a number of LNG producers, who expected to scoop a large profit from the Asian bonus, the export projects ceased to be viable and low prices have an adverse effect on the investment attractiveness. Under the conditions of unfavorable price environment, six applications for new LNG terminals construction were withdrawn.¹⁰ Nevertheless, the Trump administration intends to extensively support companies wishing to export LNG as is explicitly evidenced by statements by Gary Cohn, chief economic advisor to President Trump, and Rick Perry, U.S. Secretary of Energy.¹¹ Both of them publicly approved the idea of a number of new export terminals construction that could launch the second wave of LNG projects in the U.S. Their implementation will start in the mid-2020s.

Prospects of LNG exports projects from the U.S. in any geographic direction depend on their competitiveness in comparison with the projects of other LNG producer countries. The United States' significant advantage in this issue is the fact that new export capacities are created on the basis of the available infrastructure that was focused on the LNG importation (brownfield projects), which drastically reduces the expenditures.¹² For comparison, export terminals in Australia are being built from scratch (greenfield projects) and the cost of creating one natural gas liquefaction power unit differs from American projects more than twofold (\$600-\$700 per ton in the U.S. and \$2000 per ton in Australia).

The advantage of the American LNG is its price mechanism. Consequently, considering the U.S. as an LNG supplier, the APR importers in no small part are interested in a pricing formula. The natural gas cost in the U.S. is formed in the distribution center Henry Hub, Louisiana, and is a reflection of supply and demand ratio and, consequently, a fairer market value of the resource for the buyer. Before the oil price drop in late 2014, the LNG buyers in the APR were openly against the LNG cost oil indexation. The pressure on suppliers became stronger after the Fukushima nuclear disaster in Japan in 2011 and transformation of the U.S. from the LNG importer into its exporter ready to offer the product at a more favorable price unpegged from oil quotations. Australia's and Canada's suppliers resisted importers' pressure explaining their position by the fact that oil indexation is a prerequisite of LNG trade development and launch of new export terminals.¹³ However, the oil costs drop resulted in reducing price differential between contracts offered by the U.S. and calculated according to the hub formula and contracts pegged to oil quotations. The latter became competitive and attractive for importers again. It means for the U.S., first and foremost, the aggravation of competition at the APR gas markets and the growth of uncertainty in the development of its LNG sector. Nevertheless, taking into account the volatile nature of global oil market and its vulnerability to international polit-

ical shocks it cannot be claimed that it will not be affected by new price fluctuations. In the event of yet another price shock the cost of LNG in the APR will grow again and have an impact on the budgets of the region's countries. The market dynamics demands maximum diversification of the LNG supplies structure not only in terms of geography but also from the point of view of price formation formulas in the aim of minimization of risks associated with sales expenses. The United States' LNG exports introduce hub price formation mechanism into LNG trading in the Asia-Pacific Region and form the APR gas market development trend. Some new contracts on LNG supplies to the region's countries have already been calculated according to the Henry Hub formula. In 2012, Cheniere Energy signed a contract with the South Korean company Korea Gas Corp¹⁴ on LNG supplies for a period of 20 years. The first product shipment within the framework of this long-term contract took place in late June 2017. Japan signed three long-term contracts with terminals operators in the U.S. as well. Their construction is planned to be completed in 2018.¹⁵ By no means unimportant are the first steps of APR countries in the direction of creating regional hubs. Japan, China, Singapore, and the Philippines have already presented their projects.¹⁶

Besides, the U.S. LNG delivery contracts include the article on destination flexibility making it possible to redirect an LNG tanker to another port of delivery if the price there satisfies the seller or buyer much more. The interest in cancelling the article on the fixed port of delivery was repeatedly declared by LNG importers in the APR, particularly in Japan¹⁷ which under the conditions of the oversupplied LNG market in the region envisages the resale of supplies if part of the contracted volume exceeds its economy's demands for natural gas. According to expert assessment, applying the provision on destination flexibility leads to the LNG exportation segmentation, that is its division into long-term contract relations and the increasing of spot trade share.¹⁸ In the long run, it will result in the price formation mechanisms convergence at the regional gas markets that will be formed driven by similar factors. The key role here will be played by the U.S. LNG price formation formula, according to the BP 2017 long-term forecast.¹⁹

The significance of this market dynamics for the APR countries is indisputable as natural gas is a high-priority fuel for stimulating economic growth. While low oil prices are attractive for the Asian countries' economies, the air pollution problems begin to play no less important role. It will make the region's states gradually give preference to natural gas, including LNG, as a clean alternative fuel. Besides, the reduction of expenses on LNG imports caused by the oil prices drop was expressed in reducing budget deficit in a number of countries. After the Fukushima nuclear disaster in 2011, Japan's budget deficit amounted to 121.56 billion dollars, in 2015 – 23.56 billion dollars.²⁰

The factor of the terms of product transportation duration influences the commercial attractiveness of the LNG supplies from the U.S. Before the opening of the expanded Panama Canal in 2016, LNG shipment expenditures were

higher in comparison with the expenses of the exporter countries located closer to the consumer. The expansion of the navigable waterway will enable the U.S. to export larger volumes of LNG²¹ to Asian buyers, reduce the delivery time,²² and essentially decrease expenditures on LNG shipment from the terminals located on the Gulf Coast of the United States to the key Asian markets.²³ Introduction of preferential rates on LNG tankers transit through the canal is also commercially viable for such major importers as Japan, South Korea, and Taiwan as it will cut costs for them as well.

In total, all economic aspects of the U.S. LNG industry development make American LNG exports a commercially attractive option for the diversification of the import portfolio of LNG consumers in the Asia-Pacific Region. However, U.S. exporters' expectations of higher profits from the contracts calculated with regard to the Asian price differential have failed and they have to carry on trade under the conditions of the low price situation and increased competition not only with other LNG producers but also with pipeline gas suppliers. Competition for market share in the APR intensifies with the commissioning of Australia's new LNG projects and over the longer term – the growing number of LNG suppliers at the expense of East African countries (Tanzania and Mozambique).²⁴ Russia also offers LNG projects for the APR, but Russia's market share increase in the LNG trade sector in the regional market is limited by the economic sanctions of the United States and Europe, the factor which is the impediment to necessary investment.²⁵ Qatar remains the biggest LNG supplier to the APR countries. Flooding of the regional market testifies to the improvement of importer countries' bargaining positions – they can choose supplies and bargain with them on favorable terms.

The U.S. federal offices that are aimed at converting economic advantages of the shale revolution into political dividends render tangible assistance to American LNG export projects in the APR.

Until quite recently, the creation of the Transpacific Partnership (TPP), the agreement on which was concluded in October 2015, could be a practical step in this direction. The United States, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam were to become its members. Japan's decision to join the negotiations on the TPP in 2013 was partly dictated by the interest to obtain access to the U.S. energy resources.²⁶ Despite the absence in the final text of the agreement of a separate article on natural gas, the national regime principle applies to any supplies of the resource within the framework of the free trade area. A restriction may be introduced if only a participant of the association wishes to exclude a number of national products from the application of this principle. Only Mexico out of twelve participants of the agreement excluded crude oil, gasoline, natural gas, and a number of other products.

There is no separate article on natural gas trade in the United States-Korea Free Trade Agreement concluded in 2012 either, but the provision on national

regime is practically identical with the articles on the creation of the Transpacific Partnership. With due regard to U.S. long-term contracts, LNG exports that started in June 2017 from the Sabine Pass terminal, South Korea plans to expand purchases from 2019 on beginning to import natural gas from the Freeport LNG terminal. The Transpacific Partnership, in case it came into effect, could offer an opportunity to all its members to get automatic approval of U.S. LNG import applications. However, coming to power of President Trump administration and his decision to withdraw from the TPP project due to its terms unprofitable for American business, did not allow to use the association for the expansion of American LNG trade.

New U.S. President prefers bilateral trade transactions to multilateral agreements.²⁷ It is they that can become the basis of American LNG exports expansion in the Asia-Pacific Region which is proved by the latest initiatives of the U.S. Department of Trade.

In mid-May 2017, the department announced a possibility of concluding long-term contracts with China on LNG supplies in the framework of a package of bilateral trade agreements. Secretary of Commerce Wilbur Ross noted that the deal would make it possible to release the American energy resources and “this will let China diversify, somewhat, their sources of supply and will provide a huge export market for American LNG producers.”²⁸ At present, China demonstrates the greatest growth of LNG supplies and is a third country in the world in terms of its import volume after Japan and South Korea. Nevertheless, the content of the achieved agreements of the U.S. with China on the LNG export issue does not contemplate giving special treatment of access to American natural gas for Chinese energy companies. In essence, the deal demonstrates the U.S. readiness to supply natural gas to China in sufficient volume under market conditions within the framework of long-term contracts. However, the conclusion of such a framework agreement will make it possible to attract direct investment from China for the development of an export infrastructure in the U.S., which can launch the so-called second investment wave in the sphere of LNG exports. The LNG deal is commercially very attractive not less because of the fact that LNG supply contracts concluded by China in the 2000s expire and Chinese companies will look for new suppliers ready to offer a product at a more competitive price. American LNG with the hub price formation formula can become an attractive alternative.

Bilateral agreements with China indicate several principal moments. First, quite recently the United States and China were rivals in the sphere of LNG imports and were equally interested in a sufficient volume of a product for satisfying their energy requirements. A deal-“invitation” to upscaling LNG trade in which the U.S. performs as its producer testifies to the cardinal transformation of energy markets where the two states are no more rivals in the field of resources. Second, the transition of two major consumers of energy resources in the world from rivalry in the energy sphere to constructive cooperation not only

removes one of the factors of tensions in the field of energy security in the APR but also testifies to the growth of pragmatism in bilateral relations of the United States and China. Third, the possibility of concluding long-term contracts on LNG supplies from the U.S. to China threatens the monopoly of Qatar in the sphere of LNG trade. At present, it is Qatar that is the second major LNG supplier to China after Australia²⁹ and one of the main competitors for American exporters. Prior to China's renewal of long-term contracts on LNG supplies, the emergence of the U.S. as a producer on the APR market can reduce the market share of Qatar in the region. The global leader of LNG production has already responded to the threat of exclusion of their exporters from the regional market and U.S. domination there. It announced the expansion of productive capacities by 30% within the period of five to seven years.³⁰

At the same time, possible reduction of China's dependence on Qatar's natural gas and import diversification by means of supplies from the U.S. are indicative examples of the Asian gas market conversion into a consumer market where the latter has the strongest bargaining position. It means that at the LNG market in the APR the U.S. is only one of the suppliers whose market share depends on the attractiveness of their commercial offer of which Wood Mackenzie consulting agency analysts, among others, warn.³¹

In contrast to China, in Japan, the biggest LNG importer in the world, the growth of demand for LNG will be moderate. In 2015, the government of the country approved the electric power production plan up to 2030 that reflects the political intention to partially revive nuclear energy industry, in so doing diversifying energy balance as much as possible in which every type of fuel (atom, RES, LNG, and coal) has roughly equal share.³² Consequently, Japan's dependence on energy resources imports and the expansion of American LNG exports in the APR can serve the basis of bilateral relations consolidation. During the period of high LNG prices, Japan's analytical centers pursued research and the experts concluded that U.S. LNG imports would make it possible to save up to eight billion dollars a year and besides get a bargaining tool for coordination of more favorable delivery price.³³ It should be remembered that the U.S. is a well-regarded LNG supplier for Japan which since 1969 has satisfied the demands of economic system of the country with a sufficient quantity of the resource. The Japanese capital has participated in the U.S. export terminal construction and operation projects since 2014: Cameron (Louisiana), Cove Point (Maryland), and Freeport (Texas). And Japanese companies signed a number of long-term contracts on LNG deliveries with their operators.

In early June 2017, Secretary of Energy Rick Perry visited Japan. According to its results, Tokyo plans to sign an agreement with the U.S. in order to facilitate American LNG exports in the APR through a mechanism of resaling the product to developing economies.³⁴ The first delivery of LNG produced from shale gas took place in January 2017 in a volume of 70,000 metric tons.³⁵ By the end of the year, total U.S. LNG exports to Japan should reach 700,000 metric

tons. It is curious that Japan increasingly opening its market for American LNG exporters is trying to convert the bilateral trade with the U.S. into a tool of its own economic influence in the APR. The United States expanding LNG exports to Japan just strengthens the economic base of already existing allied relations not projecting at that its influence on other countries of the region. Japan, on the contrary, reselling American gas acts as a resource donor and its neighbors would tend to perceive such swaps³⁶ as its intention to contribute to strengthening the APR's energy. Besides, Japan intends to use LNG resale for creating a regional LNG hub and new price benchmarking.³⁷

The situation around South Korea, the second largest LNG importer, is partly similar to the situation in Japan – before May 2017, the state didn't plan to increase LNG exports due to the economic slowdown, sufficient supply of natural gas in economic sectors as well as the intention to increase the share of renewable energy sources in electric power generation.³⁸ After the election of President Moon Jae-in, it has been expected that LNG would play a greater role in meeting the energy needs due to the planned decline in the proportion of coal and nuclear energy.³⁹ In these conditions, the long-term contract of Korea Gas Corp. with Cheniere Energy, in force since June 2017, can become the basis for strengthening trade relations between these companies which will make it possible to expand the U.S. economic presence in the APR.

As the biggest LNG importers, Japan and South Korea, are interested in the LNG price being determined by competitive trade rules and market mechanisms conveyed by U.S. exports. Even if American LNG exports to these countries do not grow on a mass scale, the United States has already played its defining role for the Asian gas market setting the trend toward changing its nature. The appearance of U.S. LNG tankers in the APR contributes to the gradual increasing of its liquidity, introduction of a new price formation formula “gas-gas,” and, as a consequence, strengthening of importers' negotiating positions vis-à-vis traditional suppliers, such as Qatar and Russia. The United States claimed to be both LNG exporter and player on the market that is capable of formulating new rules of its operation.

The U.S. new role in APR's economic space can also help the country to politically benefit from it. For example, the transformation of natural gas trade in the APR stimulates importers and exporters to assess anew the content of the regional energy cooperation with the aim of strengthening energy security of any country separately and the region as a whole. The U.S. as exporter can take a direct part in it.

At the level of U.S. expert community, the ideas of active participation in creating new architecture of energy security in the APR are being discussed.⁴⁰ The growing dependence of APR countries on energy resources imports, in particular from the countries of the Middle East, dictates the necessity of stimulating cooperation of buyers and suppliers in terms of a variety of issues of energy security including creating strategic reserves of energy resources (and specifi-

cally LNG) in the event of delivery failure, protection of key shipping lanes, and liberalization of energy markets. The United States as LNG exporter could use a new market environment for formulating practical proposals with the aim of strengthening energy security of the region.

At present, initiatives on stimulating energy cooperation are announced within the framework of the Asia-Pacific Economic Cooperation (APEC) forum and the East Asia Summit (EAS). The meeting of energy ministers of five major energy resources consumer countries (the United States, China, Japan, Republic of Korea, and India) in December 2006 became an attempt of multilateral cooperation, but due to the absence of long-term obligations the mechanism atrophied. The second meeting took place in 2008 and the third one was to be held in 2010, but was postponed indefinitely. The APEC Energy Security Initiative has been in force since 2001, its aim being the support of energy resources trade and investment in its development. In September 2014, this program was named the APEC LNG Trade Facilitation Initiative,⁴¹ as offered by APEC energy ministers. Delivery prices oil indexation as well as market flexibility under the conditions of seasonal fluctuations in demand were named as key problems of LNG market development problems. Nevertheless, in the three years since the launch of this project, the aims of the initiative have remained declarative and its activities have been limited to working seminars on best practice exchange. In the absence of tangible progress in solving the tasks being formulated, experts have dubbed such projects “zombie-initiatives.”⁴²

Obama administration actively tried to recover the regional cooperation offering new formats of interaction which fully complied with the economic vector of the U.S. policy in the APR. It involved the channeling of regional integration processes toward the track favorable for the United States. Staking on multilateral initiatives, the political leadership of the country was prepared to assume the leading role in forming new economic architecture and creating a regional system of rules in the sphere of trade and investment operations.⁴³ In 2012, the leaders of the United States, Indonesia, and Brunei presented the project of the U.S.-Asia Pacific Comprehensive Partnership for a Sustainable Energy Future. Its implementation seeks to promote the expanded access of the region’s countries to energy sources, investment growth, and development of technical assistance provision mechanisms for the implementation of energy projects.⁴⁴ The partnership is guided by the values of the available multilateral regional initiatives in the area of energy security and supplements their activities. It comprises the ASEAN-United States Energy Cooperation Work Plan, the APEC Energy Working Group, and the EAS ministers meetings mechanism. The partnership formulates four priorities of its activities: renewables and cleaner energy, power markets and connectivity, the emerging role of natural gas, and sustainable development.

In contrast to Obama, Trump administration has not yet taken specific steps in the direction of strengthening the multilateral energy cooperation in the APR.

It can be explained by the fact that the content of the U.S. political course in the APR is still under development and that the Republican President intends to rely exclusively on the development of bilateral contacts with specific partners in the region. The first variant doesn't rule out the possibility of the U.S. taking the lead in reviving stagnating initiatives in the area of energy security in the APR. The second variant implies that the potential of LNG exports for the transformation of economic achievements into a real political asset will remain untapped. The prospects of economic leadership under the conditions of increased competition in the APR LNG market remain dependent on exclusively market factors.

American LNG has a number of commercially attractive features, which results in the interest of APR countries in the expansion of business relations with the U.S. as a potentially major exporter. The hub price formation formula, destination flexibility condition, and expansion of demand in the regional natural gas market – all these factors form the basis for a qualitative change of the APR market environment. U.S. LNG ensures increased gas trade transparency and a greater role of market mechanisms. The region's importer countries took advantage of this opportunity. New contract conditions which characterize U.S. LNG projects have become the basis for the unprecedented revision of available long-term agreements with such suppliers as Qatar and Australia as well as promote the development of regional hubs projects which would reflect the market factors dynamics rather than suppliers' commercial interests.

Exporting LNG to the APR market, the United States has set the trend of LNG trade development there. Nevertheless, the role of economic "innovator" doesn't imply automatic transformation of the U.S. into an economic and political leader in the region. As the analysis shows, the economic weight of a country will be determined exclusively by market factors – supply and demand, balance and competition. The Trump administration support of new LNG export projects could bear fruit only in the medium term as the decision of companies to export natural gas will be motivated by their commercial attractiveness in order to recover their capital costs. As far as bilateral agreements are concerned, they undoubtedly promote the interests of American LNG exporters in the APR market, but under the conditions of supply excess, U.S. partners, Japan in particular, can use American LNG shipments for strengthening their leading positions in the region.

In order to really expand the influence with the help of LNG exports, the United States should actively use the potential of multilateral cooperation in the field of ensuring energy security offering new or reviving available initiatives. Nevertheless at present, the Trump administration hasn't yet taken steps in this direction. At a time when the role of market factors in the APR natural gas market is high as never before, the economic advantages must be consolidated politically. In other circumstances, the era of "energy domination" would turn out to be a paper project as the U.S. capacity to expand its influence in the region could be missed.

NOTES:

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