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SIEWCast w/ **Martin Houston**

Vice Chairman, Tellurian Inc.



Episode / **02**



SPEAKERS

Martin Houston, Vice-Chairman, Tellurian, Rachel Kelly (Money.FM 89.3)

Rachel Kelly (Money FM 89.3) 00:02

This SIEWCast is brought to you by Singapore International Energy Week and Money FM 89.3 in partnership with ExxonMobil. SIEW is an annual platform for energy professionals, policy makers and commentators to share best practices and solutions within the global energy space. Now transition, a buzzword that has dominated energy conversations over the last two years. And while energy transition is not a new concept, it has seen exponential growth, largely as governments, corporates and consumers seek out to more sustainable alternatives. Liquefied natural gas or LNG is often seen as a valuable source that can power the shift to renewable sources. Tellurian is a natural gas company. To find out more about the key LNG trends, we're joined now by Martin Houston, Vice-Chairman, Tellurian. Martin, thank you so much for taking the time to speak with us today.

Martin Houston (Tellurian) 00:58

You're most welcome.

Rachel Kelly (Money FM 89.3) 00:59

So first, let me ask you, LNG is often seen as a cleaner alternative, however, it's still a fossil fuel. Let's start there.

Martin Houston (Tellurian) 01:06

Of course, it's a fossil fuel, the gas natural gas, and of course, LNG is just cold and very cold natural gas is the cleanest of the hydrocarbons. And as we think about the long-term demand for energy on a global

basis, we're going to need hydrocarbons for a very long time. Now, many people would argue that that should be much shorter, and maybe it should. And maybe if we'd thought about it much earlier, it could have been, but it can't be right now. And I think the growing understanding that hydrocarbons are going to be with us for a lot longer, has been one of the realisations of the energy crisis that we're in today. And because of that, if we need hydrocarbons, which we do for a long period of time, do we not need the lowest carbon, hydrocarbon to underpin the new technologies, the solar, the wind, the lower carbon technologies, some of which haven't even been conceived, as of yet, which will power the transition that we all want? Me, my industry wants this transition as much as anybody, but we have to go about this in a logical way. And as you and I have discussed already, you know, a transition is just that it's a transition. It's a move from one from one or a collection of fuels to a new collection of fuels. But it's not a step. It's not a cliff. It's something that we have to try and you know, transition to over a period of time.

Rachel Kelly (Money FM 89.3) 02:41

So what does this mean then for LNG demand?

Martin Houston (Tellurian) 02:45

Well, it means that since moving natural gas requires one of two things, essentially a pipeline, or a ship that can move liquefied natural gas, and since pipelines have got a limited geographical reach within certain economic limits, you know, the preferred way of moving gas long distances around the globe is by LNG. So LNG, as we all know, is liquefied natural gas minus 160 degrees C, in liquid form, in specialty ships in very big thermos flasks, if you like, which can move very long distances around the globe and move gas to exactly where it's wanted, in a very efficient way. So you know, clearly the demand for LNG is increasing, it's increasing sharply as we replace all of the 'dirtier' hydrocarbons, if I can call it that coal and oil, with natural gas.

Rachel Kelly (Money FM 89.3) 03:41

So let's take a look at some numbers when it comes to demand. Asia is expected to account for 95% of worldwide LNG demand growth between 2020 and 2022. Where do you see most of this demand going? And what role do you see LNG playing in Asia's low carbon energy transition by 2050?

Martin Houston (Tellurian) 03:59

So LNG has played a huge role in in Asia, particularly in North Asia for the last 60 years, Japan, Korea, Taiwan have been huge buyers and China today, of course, is an enormous buyer of LNG. Now, because of the energy crisis that we're in at the moment, it's actually the real power of new demand in the very short run is actually not Asia is Europe, as Europe seeks very quickly to replace Russian pipeline gas, which in many cases has been curtailed or is likely to be curtailed in the future. But over the long run, LNG demand globally, will continue to be driven by Asia. And that really falls into three different buckets if you like. You've got the traditional markets of Japan, Korea and Taiwan and they will continue to demand natural gas as they replace coal, oil in that mix, as they have been doing over a long period of time. We'll see China, which to some degree is an independent market, which people think of independently because of its own economic drivers. Now, of course, you know, in the COVID years, we've seen a drop off in demand and year on year, we've seen, you know, a substantial reduction. But ignoring the short-term blip, China will continue to grow and be a very strong pull on global LNG demand. And then you have what we call the sort of new Asian markets. So for example, Thailand, Philippines,

Vietnam, Singapore, all of which have got either developing or embryonic LNG businesses and they will seek to pull LNG and grow the demand for LNG as, as in many cases, they're replacing declining domestic resources of natural gas, particularly in the case of, say, the Philippines or Thailand, but also Pakistan, India, now this is going to be a large driver for the growth globally, of LNG, which really does have a quite substantial, you know, growth ahead of it, in spite of the projects that have already been put on stream or are being built as we speak today. Much more LNG than that is going to be required.

Rachel Kelly (Money.FM 89.3) 06:23

And that said, what does all of this mean for LNG trading opportunities in Asia?

Martin Houston (Tellurian) 06:28

Let's start with Singapore, we sit in Singapore, which is the energy trading hub, the energy trading hub of the planet. I mean, what does it mean? It means, you know, a great future in my view, it means more energy trading companies, but remember, not just in energy, also in carbon, you know, as we seek to replace hydrocarbons, carbon trading and the value that, you know, the carbon economy will create is also something, which is a great opportunity for Singapore. So for me, I think it's, you know, it's an enormous opportunity. The scale of the business, the volatility in the business. Remember, traders love volatility. They don't like things when they're flat or normal. They like it when they're disjointed and discombobulated. So for me, I think Singapore has got a tremendously bright future.

Rachel Kelly (Money.FM 89.3) 07:17

Wonderful. We're speaking with Martin Houston, Vice Chairman, Tellurian as part of a special series of SIEWCast brought to you by Singapore International Energy Week, and Money FM 89.3 in partnership with ExxonMobil. So now we've got to ask you, what does the LNG market outlook mean for Tellurian's expansion plans and role in supporting the region's ambitions to reduce emissions?

Martin Houston (Tellurian) 07:41

So it's sort of the same answer. I mean, natural gas is driving emissions lower because it's replacing high carbon intensity fuels like coal and oil. And what we're doing in Tellurian, you know, we are the early construction stages of a 27 million ton facility in Louisiana, 27 million tons is a large amounts of LNG as you would well appreciate. And, you know, this is a global fuel, we've talked about the transportation of natural gas in ships, LNG, it's available on a global basis. This is a fuel which is available to the developed world as they decarbonise their very sophisticated energy economies, but also, for fuels for the developing world, many of whom don't have hydrocarbons, much less any new energy, you know, new energies, such as wind or solar, or the light. So, you know, a global fuel for the global population. And I think it's really important that we think about the 8 billion people on this planet when we think about energy. You know, we're fortunate enough to be sitting in Singapore and you know, in a beautiful place. We're one of the 1 billion people privileged to have this discussion, the 7 billion people who don't have this luxury with the same sort of fuel security, and fuel opportunities that we have, natural gas in liquefied natural gas form provides the opportunity for these economies to access hydrocarbons, clean hydrocarbons, and develop their economies, much as our economy developed over the last, you know, 150 years. So, you know, it's a global fuel for the global population. Enabling a transition, enabling growth, enabling developments, you know, across, you know, a very wide sphere, if you like, on a global basis.

Rachel Kelly (Money FM 89.3) 09:43

And so you're talking about a lot of potential when it comes to infrastructure development in LNG in the region as well then?

Martin Houston (Tellurian) 09:49

Certainly, so you know, what does it mean for a consuming region as opposed to producing region where it means more LNG import terminals, it means the construction of more LNG ships. For Singapore it implies more bunkering opportunities for LNG carriers. It opens up the possibility of new types of fuel to power ships, methanol, ammonia, and other fuels that we might think about as we decarbonise the shipping industry as well, which, of course, is another huge piece of the decarbonising agenda. And by the way, it's something that Singapore is playing a key role in as well. So, you know, there's lots of opportunities not only regionally but also for Singapore itself.

Rachel Kelly (Money FM 89.3) 10:34

Now, let's look at some other developments on Tellurian's side, because I understand that you've recently received authorisation for driftwood LNG to export to non-free trade agreement countries, how does this enable you to deliver reliable and flexible LNG to your portfolio of global customers?

Martin Houston (Tellurian) 10:52

Well, it doesn't really change anything, it's a global fuel accessible globally, it's a nuance in the approval process, which is something that's now behind us. Look, as I said, before, we access a global market, and we expect to supply a global market with a global product. But you know, let's not, let's not forget that this is a product, which is the right fuel for the future. You know, ultimately, we will wean ourselves off hydrocarbons, but it's going to be a very long time. And in the meantime, let's be consuming something which has the lowest carbon impacts on the planet. And, you know, that's natural gas. And if you want to move natural gas, it's liquefied natural gas. And if you want sources of liquefied natural gas, you've got to go somewhere where natural gas is abundant, plentiful, and cheap. And the United States is one of those places. Now, there are quite a few other places on a global basis that have cheap, natural gas. Unfortunately, they're not the sort of places we're going to have access to, or to be hopeful to build liquefied natural gas terminals in or have great government support to do so. So remember, you know, we're in the middle of the world's largest democracy, you know, with the great rule of law, and regulatory overprint, that allows us to do what we're doing. It's cheap, it's affordable, it's available, and it's accessible for the whole world.

Rachel Kelly (Money FM 89.3) 12:19

So lastly, I want to ask you, what does the energy transition look like to you? I know, we spoke about this offline. But to round up, what does it look like to you? And what is Tellurian's role in building that sustainable future?

Martin Houston (Tellurian) 12:31

So our role is to provide natural gas quite simply, there's no nothing more complicated than that. What does it mean to me, I think that means to me that finally we're starting to get an understanding of how we're going to manage the transition, that we have to use the fuels that we have, because we don't have a replacement today. And if we're going to use fuels, we have let's use natural gas. So for me, we've had

some breakthrough moments. And remember, it's not just me talking my book as an oil and gas man, this is governments accepting it and building it into policy. It's society accepting it. It's the lobby groups understanding that what they want, is what we will help them deliver, if we work together in tandem on this. So for me, it's you know, we're at a difficult time globally in the energy business. But on the other hand, I think that we've sort of seen the light and the light is shining on the path for the future. And about that, I'm optimistic. It's going to be a hard road to walk. But, you know, I'm optimistic that we finally know which way we should be going. And if we can get everybody to continue to stay, you know, lined up on this thing, we'll get where we need to get to.

Rachel Kelly (Money FM 89.3) 13:46

Wonderful. Well, Martin, thank you so much for taking the time to speak with me today. My pleasure. Thank you. We've been speaking with Martin Houston, Vice-Chairman, Tellurian about major LNG trends. This SIEWCast is brought to you by Singapore International Energy Week and Money FM 89.3 in partnership with ExxonMobil.