NGA Winter Webinar

Nov 5, 2020

Points for Discussion

Ask the question on everyone's mind?

Review and Update from Last Year

Global LNG/Natural Gas Highlights

- Is the "glut" finally here? And how long will it stay?
- Impacts of Covid on LNG demand and its Future Outlook

North American LNG

Future LNG needs for New England market

- State policies, and rate of decarbonization accelerate
- Challenges
  - How to remain a part of the discussion – LNG is a fossil fuel
  - Power market changes – update on ESI

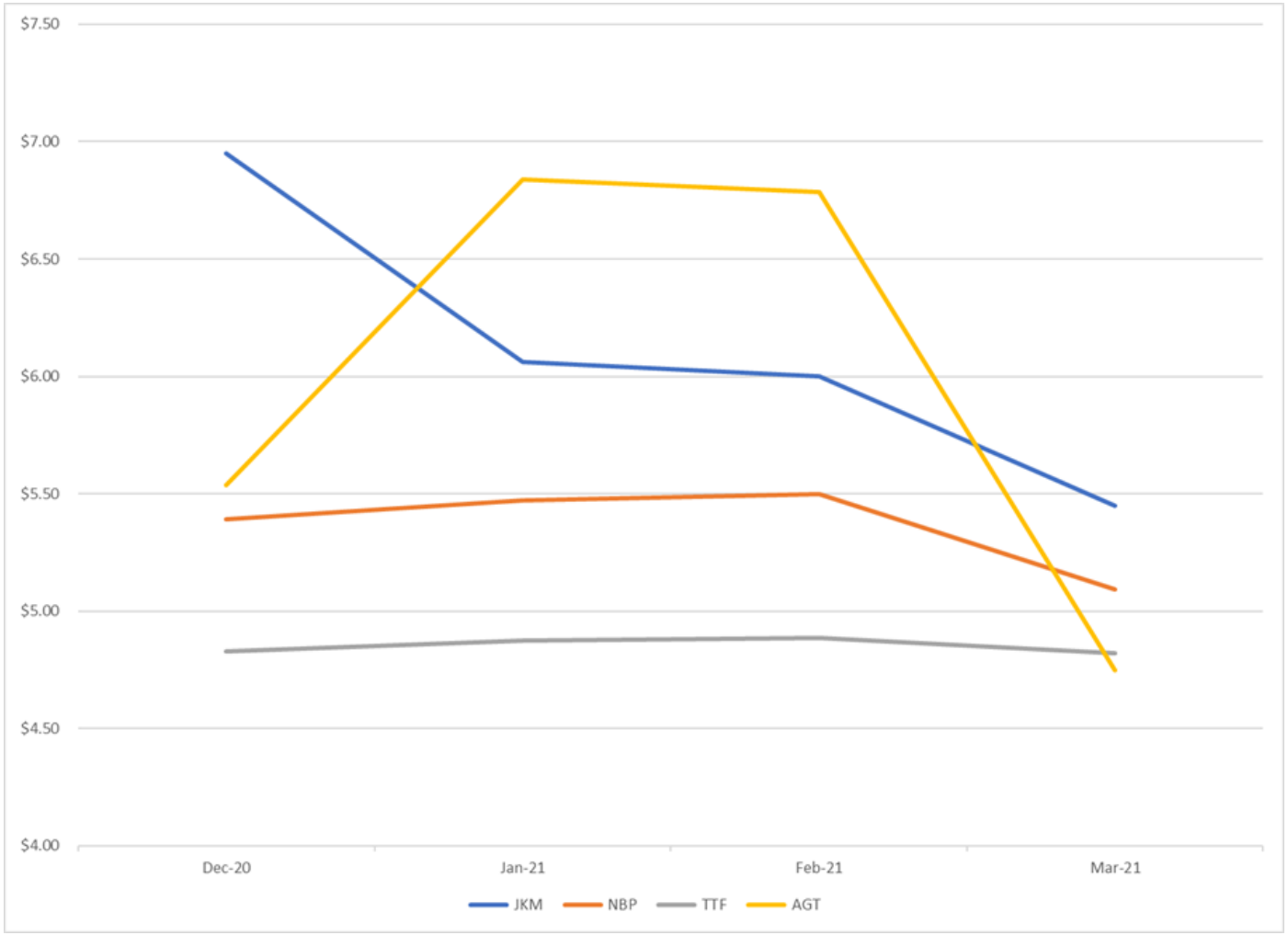
Conclusions

CANAPORT™ LNG

Reliably Supplying the Northeast market

- ✓The New England market consumes ~5 Bcf of natural gas on a peak winter day.
- ✓Supply on average 25 BCF of LNG to New England Markets annually
- ✓Repsol operates the Canaport™ LNG (“Canaport”) receiving and regasification terminal in Saint John, New Brunswick and holds a 75% equity interest in the facility.
- ✓Repsol holds 100% of the regasification (1.2 Bcf/d) and storage (10 Bcf) capacity.

Will there be LNG available this winter?
Pricing signals indicate yes



Difference a Year Makes – Covid

2019 Highlights

LNG demand growing, supply-capacity additions create a “long” market

Demand growth expected to balance the excess LNG capacity in the current market by 2025/2027

- China major driver of LNG-demand growth

In near term Europe will be looked to, to balance market

The US leads global growth in natural gas supply and exports

LNG investment is increasing…FID decisions are due on a large number of projects

2020 Highlights

Global energy consumption falls 5% - duration and severity of pandemic still big question

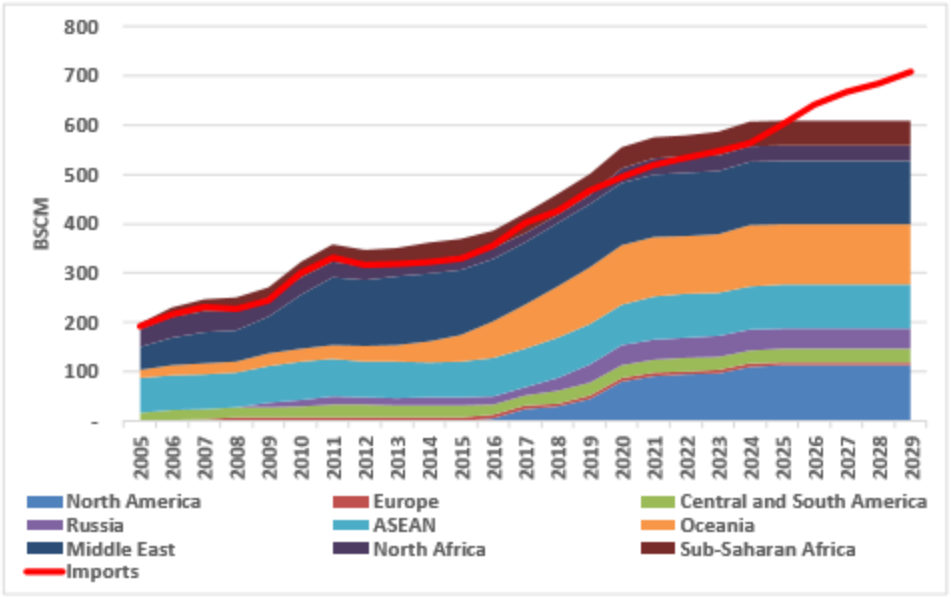
Demand growth balance is delayed until 2034

Energy transition is accelerated – energy and sustainability are built into recovery strategies

Energy investment is decreasing – 18% .. Many FID decisions are now either postponed or scrapped all together.

2019
Is the “glut” finally here?

Committed LNG Export Capacity



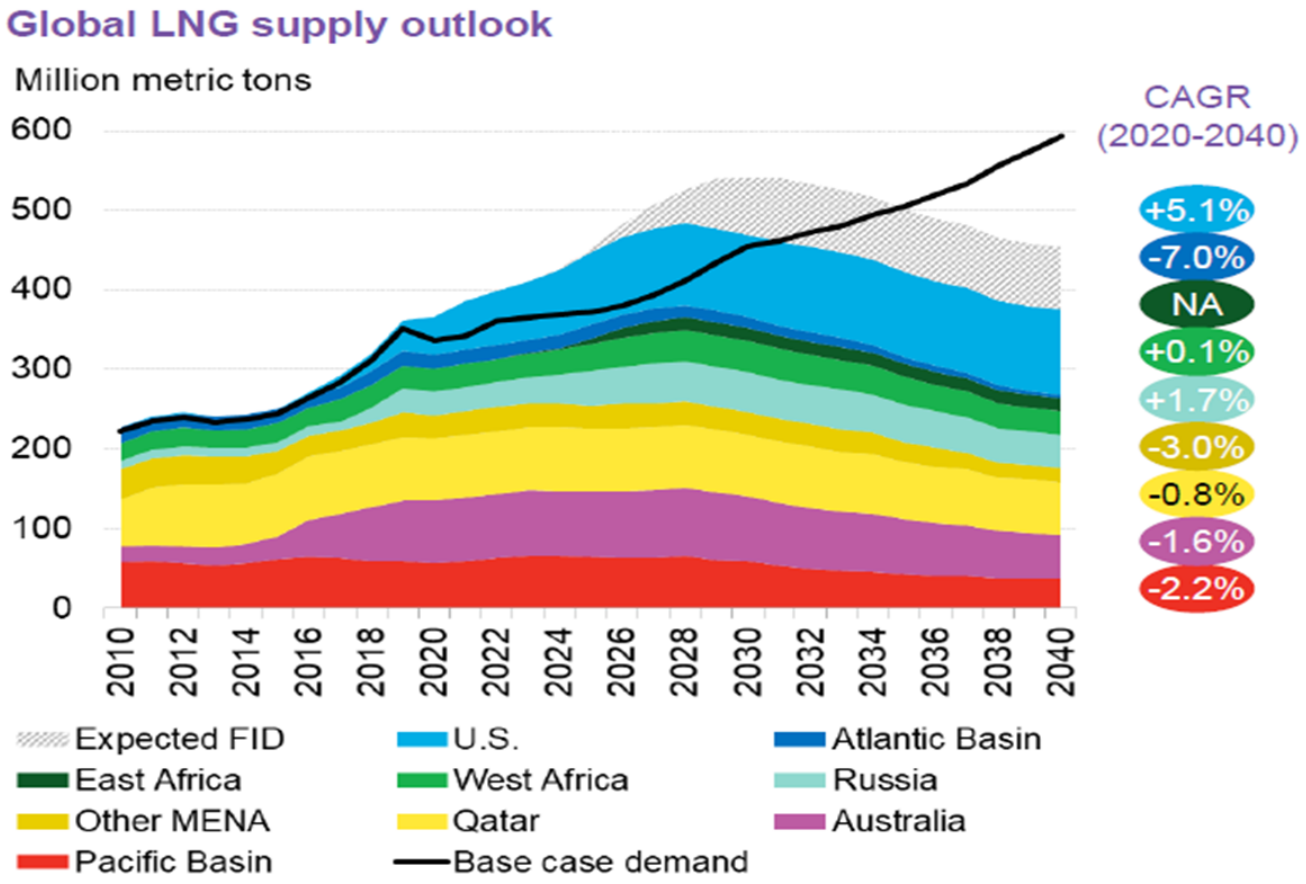
BSCM = Billions Standard Cubic Metres; ASEAN = Association of Southeast Asian Nations.

Source: OIES Analysis. Nexant World Gas Model

Up to the end of 2020, supply growth is expected to exceed demand growth, but thereafter the growth in export capacity is projected to stall, enabling demand growth to start eating away at the excess capacity.

2020 – Covid delays demand recovery

Less investment and lower capacity additions



Source: BloombergNEF. Note: CAGR is compound annual growth rate. FID is final investment decision, see next slide for 'Expected FID' projects. MENA is Middle East and North Africa.

In the mean time … good to be a Buyer

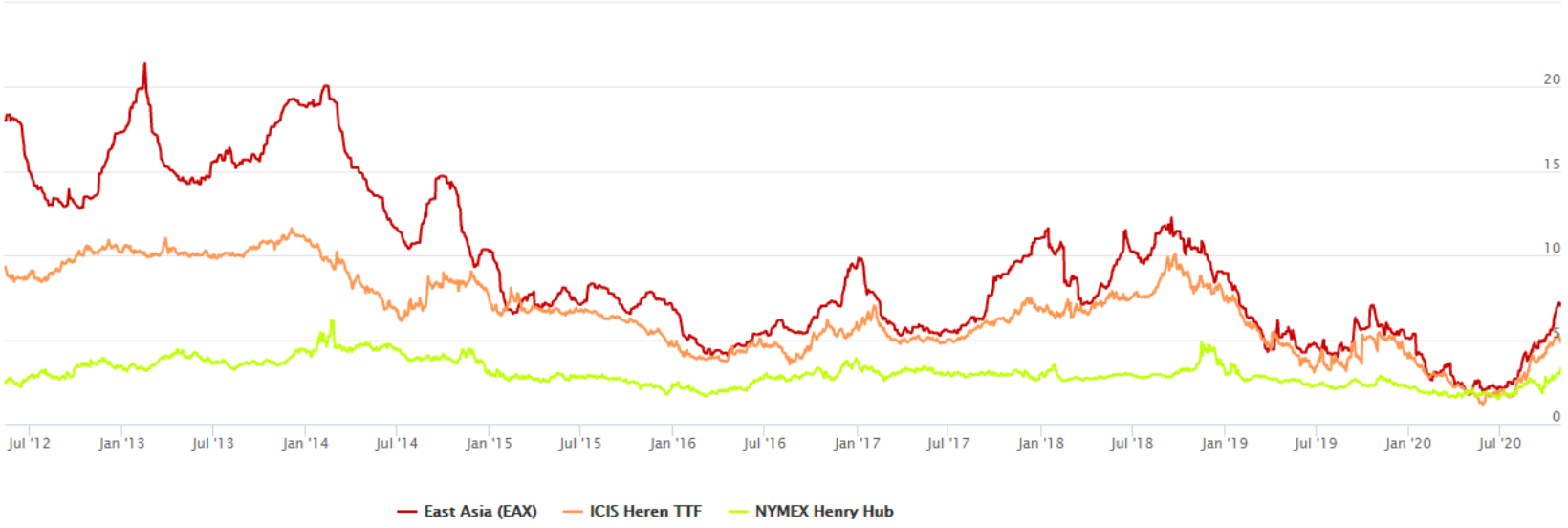
It’s bargain time in the liquefied natural gas market
Prices plunge to their lowest on record for this time of year.

Global LNG

While LNG demand will grow at 3.6% per year in 2020-35, supply-capacity additions will create a “long” market

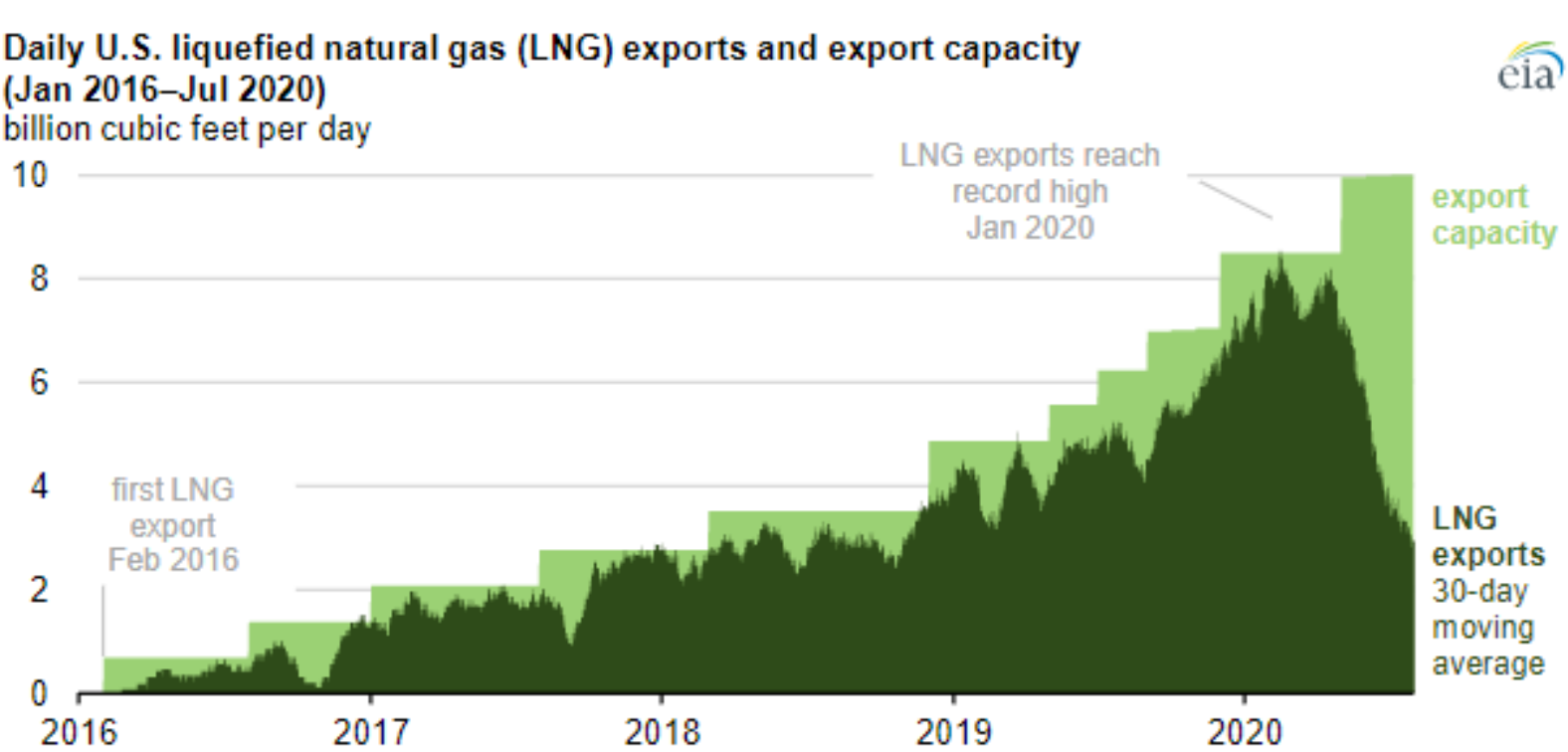
In near term Europe will be looked to, to balance market impacting Atlantic basin pricing.

Good time to be a buyer of LNG. LNG will need to remain affordable relative to other commodities, global LNG cannot afford to be supply short.



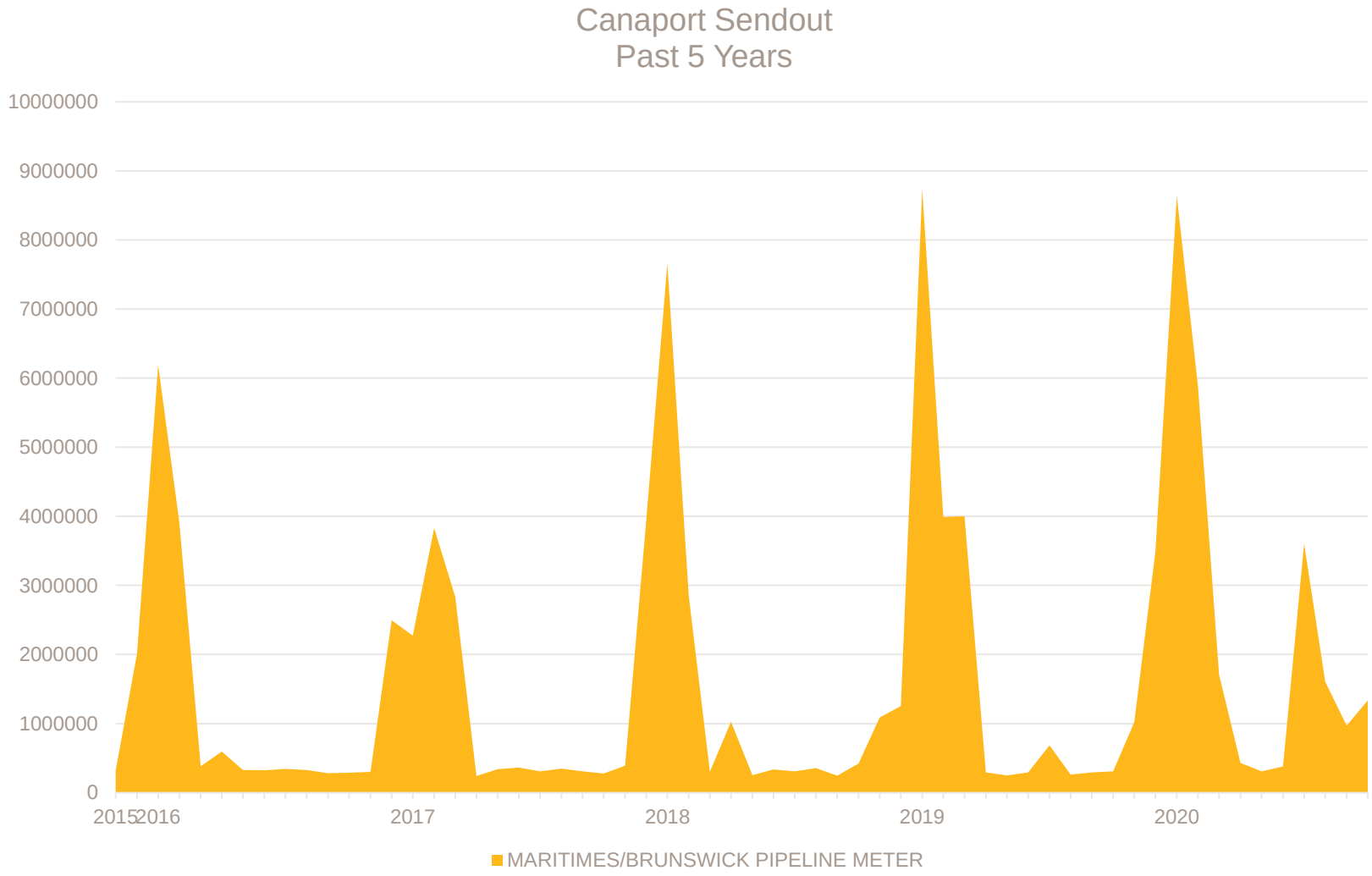
U.S. LNG Exports Fall off a Cliff

Peak in January 2020

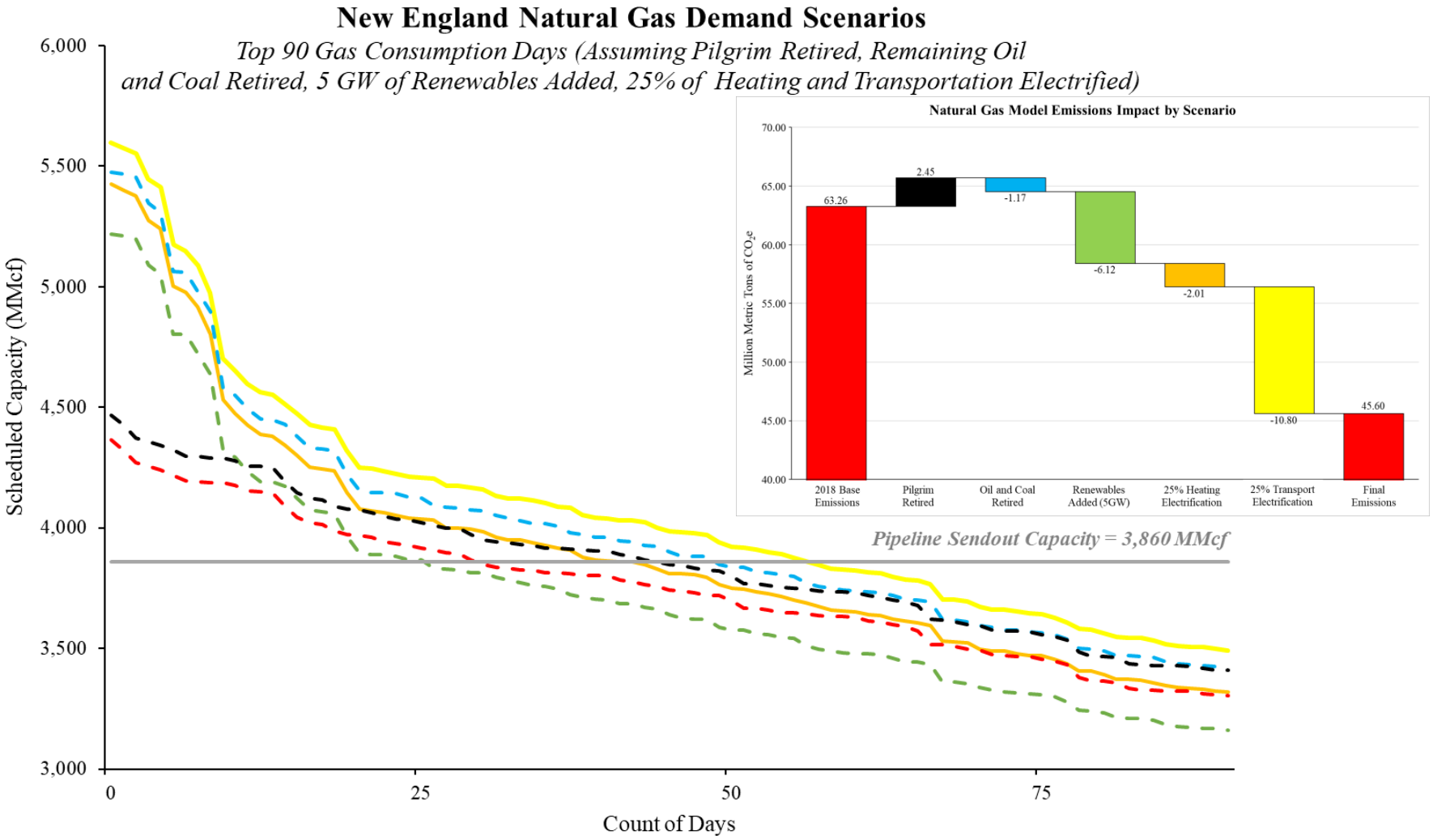


Canaport – Increasing Sendout

Replaced Sable – First Summer Peak seen in yrs



LNG is Vital for Power System Operations even with Major Renewables Growth (5,000 MW)



Sources:
[1] S&P Global Market Intelligence.
[2] EPA/EIA.
[3] ISO - New England.

FERC Order – ISO NE Market Program

FERC issued order last Friday night rejecting ISO-NE's Energy Security Improvements (ESI) proposal, concluding that ESI would impose substantial costs on consumers without meaningfully improving fuel security.

FERC found the ESI proposal unjust and unreasonable

- ESI fails to align the timing of procuring reserves with procuring fuel
- ESI's voluntary nature undermines its ability to address fuel security during stressed conditions
- ESI imposes costs on consumers without providing sufficient fuel security and reliability benefits

FERC provided guidance on what it expects from a market-based solution to fuel security concerns. It further noted that it was not prohibiting ISO-NE from proposing a day-ahead reserves market independent of a proposal to address fuel security concerns.

Conclusions

LNG in transition: From Uncertainty to even greater Uncertainty

For NE – LNG is needed to balance the market, meet annual consumption requirements and to support operations with vastly greater net load variability

Growing recognition of the role of gas and LNG as the world tackles poor air quality and climate change.

Canaport is well positioned to contribute to the reduction in emissions throughout NE. We have a key role to play in the energy transition. Largest storage facility in New England, key to reliability and bridge to battery solution.

The outlook for competitive LNG supply provides confidence of a bright future for gas and supply availability in NE

The real challenge to future of LNG is directly linked with energy policy formulation, market programs that incentivize gas generators to enter into fuel commitments over a longer term and the speed of global decarbonization and technology breakthroughs.

- Unburnable before it becomes unaffordable

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