Dominion Cove Point Gains FERC Approval
Set to export 860 mmcf/day from Maryland

Import facility to convert to export facility in late 2017

On Monday, Dominion’s Cove Point received approval from U.S. FERC and the company plans to begin construction of the facility imminently. We think this export facility is more important than the other three U.S. export facilities that have gained FERC approval because of its location near the cheaper Marcellus gas. The shoulder seasons are significantly long gas near the East Coast and need to find a market. Without that market, gas basis spread to Henry Hub has been widening in the shoulder months. Cove Point should help put a bid on this gas in 2018.

However, one source of uncertainty remains: Cove Point has not received final approval from the U.S. Department of Energy to export LNG to non-Free Trade Agreement (FTA) countries. In September 2013, Cove Point received conditional approval and management says final approval is a technicality. We expect it to get final approval in 2015, but if they don't get final approval, the project likely will die.

Dominion signed a 20-year terminal service agreements Japan’s Sumitomo Corp. (Pacific Summit Energy) and Tokyo Gas Co. and GAIL Global LNG (India). The deal structure is essentially a tolling contract where Dominion acts as the operator, Sumitomo and Tokyo gas act as the tolling customer to market and find buyers for the gas (TG Plus, Tokyo Gas and other potential buyers).
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