# Trade war tariffs cloud the future of the US LNG industry



The US natural gas and liquefied natural gas (LNG) industry is facing growing uncertainty and challenges arising from President Donald Trump’s global trade war and tariff policies, according to Energy Intelligence. These measures have the potential to drive up costs for companies and reduce the competitiveness of US LNG exports, complicating the final investment decisions (FID) required to bring new liquefaction projects online.

Widespread tariffs imposed by the US on many global trading partners have prompted some countries, particularly in Asia, to negotiate purchasing US LNG volumes in exchange for the reduction or removal of trade barriers. However, China—the world’s largest LNG importer in 2024—has taken a different stance by imposing retaliatory tariffs as high as 125% on US goods. Reports suggest Beijing is considering lifting import tariffs on US ethane but not on LPG, crude oil, or LNG.

The imposition of tariffs complicates the financing and commercial aspects of US LNG projects. Many projects rely on securing long-term offtake agreements to satisfy lenders and move forward with construction. Ian Nathan, director of Gas and LNG Research at Energy Intelligence’s Research & Advisory unit, noted that “project developments best able to avoid the need for commercial commitments to achieve financing have an advantage in this environment.” He added that this evolving trade situation might slow overdevelopment just as the industry faces a period of abundant supply.

David Phua, a partner with law firm King & Wood Mallesons based in Singapore, explained that the tariff uncertainty makes it more challenging for developers and buyers to renegotiate fixed liquefaction fees, which were originally set in 2022 and 2023 but now potentially require revision to reflect higher project costs. He stated, “Assuming that the project economics cannot be sufficiently underpinned by the existing fee structure and that FID is a condition precedent under the sales and purchase agreement (SPA), the contract would likely lapse... leading to the project becoming uncommercial and ultimately unable to reach FID.”

Costs for US LNG terminal construction have already risen by approximately 30% over recent years, partially due to steel tariffs imposed during the initial Trump administration, according to investment bank Stifel analysts. They forecast that should tariffs cause costs to climb an additional 10% or more, tolling fees might increase from the current $2.50-$3.00 per million British thermal units (Btu).

In addition, US trade policy requires a portion of LNG exports to be transported on US-built ships, with the mandate increasing to 15% of annual LNG exports by 2047. This is expected to further increase costs and affect the competitiveness of US LNG in the global market. An Asia-based industry advisor observed, “Putting that LNG on US built ships will increase the price — but it will probably be some time before anyone can even provide the cost estimate for a US ship.” The advisor also noted how China continues to use its shipbuilding industry as leverage in trade negotiations.

Domestically, US upstream oil and gas firms are bracing for tariff-driven cost increases in an industry already grappling with inflation, supply chain issues, and labour shortages. Washington’s 25% tariff on imported steel and aluminium implemented on 10 February affects critical materials such as tubing, raising construction and well completion costs. A Federal Reserve Bank of Dallas survey conducted in March revealed that some industry executives estimate casing and tubing costs have surged by 25%, while one warned that “higher steel tariffs may result in fewer wells completed due to higher completion costs.” Consultancy Rystad Energy estimated that these tariffs could increase overall construction costs in the sector by as much as 15%.

Industry executives have expressed concern that the tariffs and resulting uncertainties could hamper the sector’s recovery after the Covid-19 economic impact, despite earlier optimism around regulatory support for domestic hydrocarbon production.

The developments illustrate the multifaceted risks posed by the ongoing trade tensions, affecting not only international LNG export competitiveness but also the domestic oil and gas industry’s cost structures and investment outlook.

Source: [Noah Wire Services](https://www.noahwire.com)

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