

Market Fundamentals Update

June 2020



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Additional factors that you should consider are set forth in detail in the “Risk Factors” section of the Company’s most recent Annual Report on Form 10-K as well as other filings the Company has made and will make with the Securities and Exchange Commission which, after their filing, can be found on the Company’s website, www.next-decade.com.

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NASDAQ: NEXT



**NEXT
DECADE**

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Introduction



NextDecade Corporation (NASDAQ: NEXT) is a liquefied natural gas (LNG) development company focused on LNG export projects in the State of Texas. We are developing the largest LNG export solution linking Permian Basin and Eagle Ford Shale natural gas to the global LNG market, creating value for producers, customers, and our shareholders. Our portfolio of projects includes the Rio Grande LNG export facility, a 27 million metric tonnes per annum (mtpa) project situated on a 984-acre site in the Port of Brownsville in South Texas. NextDecade is headquartered in Houston.



Long-term fundamentals of Rio Grande LNG remain firmly intact

Global LNG market will tighten, more FIDs needed to offset supply shortfall



COVID-19 pandemic has created challenges for LNG projects that have already achieved FID

With projects being pushed “out and to the right,” global LNG demand is expected to exceed supply beginning in 2022

Permian Basin has an enormous economic associated gas resource



The Permian Basin has proven resilient through prior downturns, and is poised to recover rapidly

The Permian Basin is home to the largest concentration of investment grade producers in the United States

Texas natural gas production still expected to grow by up to 10 Bcf/d



Shut-ins and reduced 2020 capital expenditures result in Texas gas production growth being postponed – not eliminated

In any COVID-19 recovery scenario, Texas producers need incremental LNG export capacity to support natural gas production growth

NextDecade’s Rio Grande LNG project is needed now more than ever



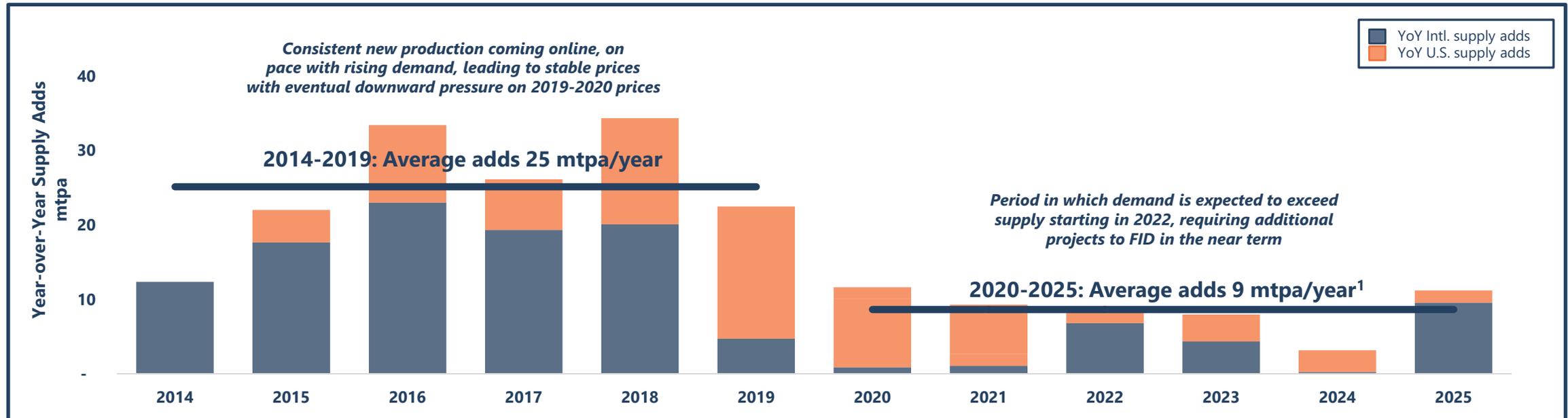


Global LNG Market

Reduction in new LNG supply further tightens market

Supply shortfall is increasingly likely now that projects – including some that have already achieved FID – are being “pushed to the right” due to near-term COVID-19 disruption

- Global LNG demand is expected to exceed supply beginning in 2022, and incremental LNG capacity takes time to build
- In each year since 2014, an average of 25 mtpa of incremental liquefaction capacity was added to the global LNG market
- Without additional FIDs, just 52 mtpa of incremental liquefaction capacity will be added by 2025¹
- Potential schedule and budget challenges, including for projects that have achieved FID, may further reduce available supply

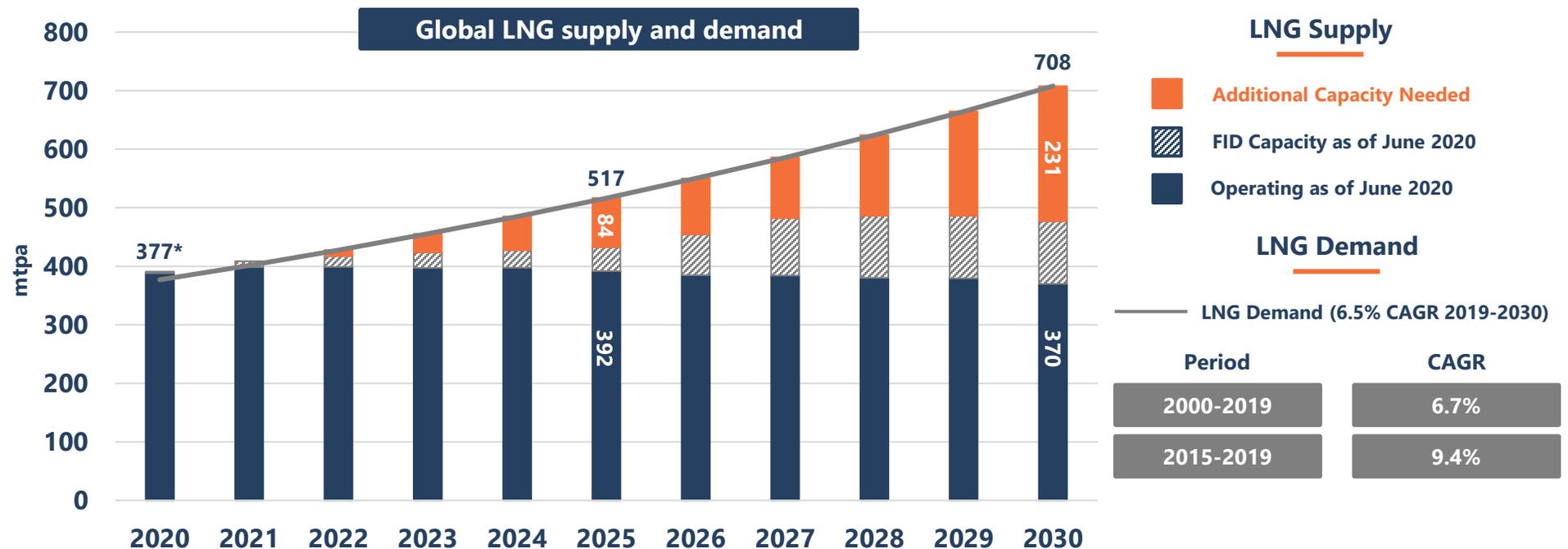


Global LNG market needs more FIDs

Global LNG trade increased by 12 percent (39 mtpa) YoY to 354 mtpa in 2019¹

- From 2000 to 2019, the LNG market has grown by an annual average of 6.7 percent
- Nearly 70 mtpa of LNG capacity FIDs in 2019, 21 mtpa of LNG capacity FIDs in 2018
- Available supply is expected to be 433 mtpa in 2025 compared to projected demand of 517 mtpa²
- At least 84 mtpa of additional capacity needs to achieve FID to supply the expected global LNG shortfall by 2025

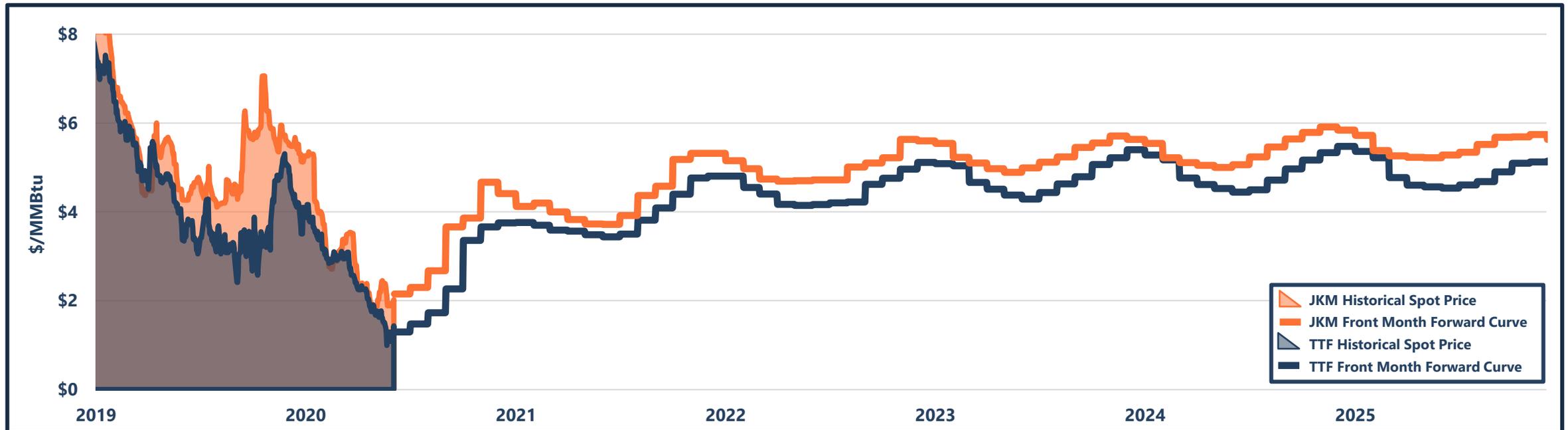
Recent FIDs	
Project	mtpa ³
LNG Canada	14.0
Corpus Christi T3	4.5
Greater Tortue FLNG	2.5
2018 Total	21.0
Golden Pass	15.5
Sabine Pass T6	4.5
Mozambique Area 1	12.5
Calcasieu Pass	10.0
Arctic	19.5
Nigeria T7	7.5
2019 Total	69.5



Forward LNG prices showing some signs of recovery

Global LNG pricing to improve later in 2020, anticipating COVID-19 recovery and working through the short-term supply overhang

However, the forward market does not currently reflect the further tightening to occur beginning in 2022



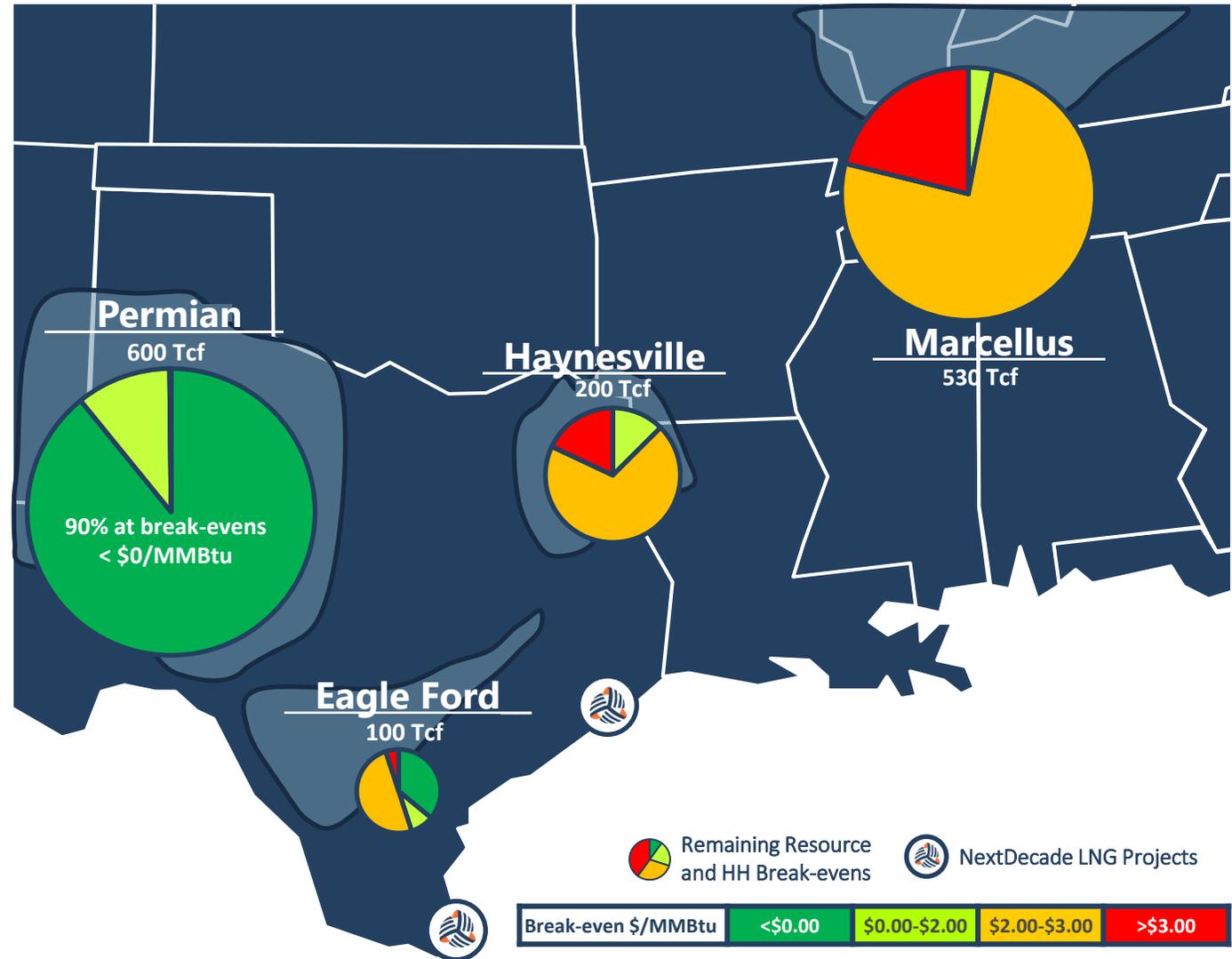


Texas Oil & Gas Market

Permian Basin: superior resource and economics

The Permian Basin offers one of the deepest inventories of economic natural gas resource in the world

- 700 Tcf of remaining natural gas resource in the Permian Basin and Eagle Ford Shale combined
- Permian Basin economics are driven by the production of oil, not gas
- Due to flaring restrictions, producers must market their natural gas in order to sustain oil production programs
- 90 percent of remaining Permian Basin natural gas resource can be produced at break-evens below \$0/MMBtu
- The Permian Basin will produce significant quantities of low-cost natural gas for decades



Texas supply basins are resilient, fundamentals remain intact

The COVID-19 outbreak has resulted in market weakness around the world, but the Permian Basin – and associated investment opportunities – are poised to recover rapidly when unprecedented circumstances subside

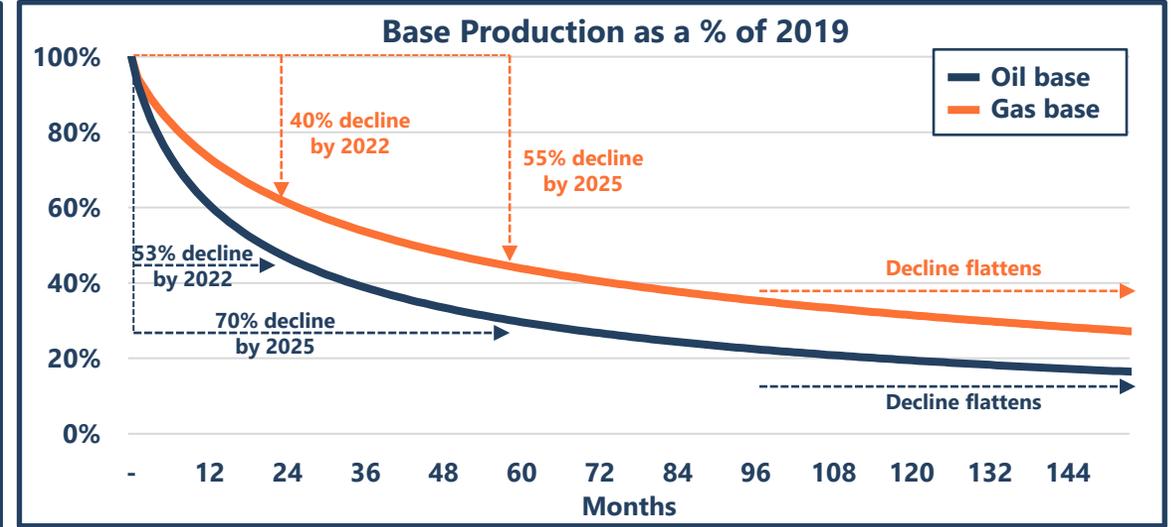
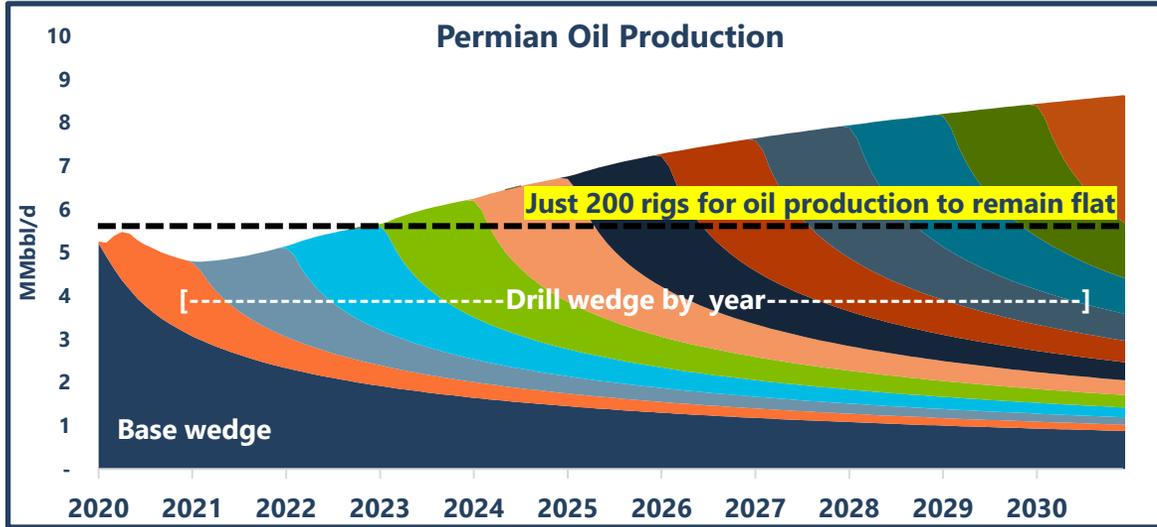
Key Points

- The Permian Basin and other Texas supply basins have proven resilient through prior downturns
- The Permian Basin offers one of the deepest inventories of economic natural gas resource in the world, with stacked pay potential and compelling single-well economics
- Shut-ins and reduced 2020 capital expenditure following onset of global COVID-19 pandemic result in production growth being postponed – not eliminated
- Even a modest crude oil price recovery allows for continued oil and gas development and growth in Texas
- Overall activity levels are expected to recover; in some rig count recovery scenarios, production could recover rapidly
- Despite short-term market disruption, Texas natural gas production is expected to grow by up to 10 Bcf/d by 2030
- Development of NextDecade's Rio Grande LNG project remains critically important to the future of Texas gas markets

In any COVID-19 recovery scenario, Texas producers need incremental LNG export capacity to support natural gas production growth



Focus on long-term production trends



- Most analyst, consultant, and media reports focus on reduced production in the immediate term
- As base declines flatten, even small amounts of new drilling activity can rebuild basin production quickly
- Gas production is more resistant to decline than oil production even with a significant drop in drilling activity
- Gas production from new wells also maintains higher production levels compared to IP-30 rates, which is consistent with rising gas-to-oil ratios commonly reported in oil-driven basins

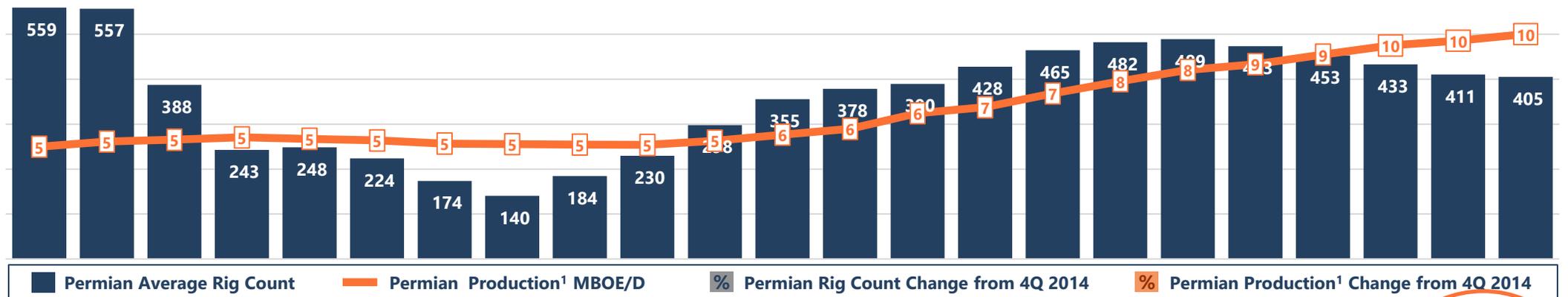


Permian Basin: continuous improvement through efficiencies

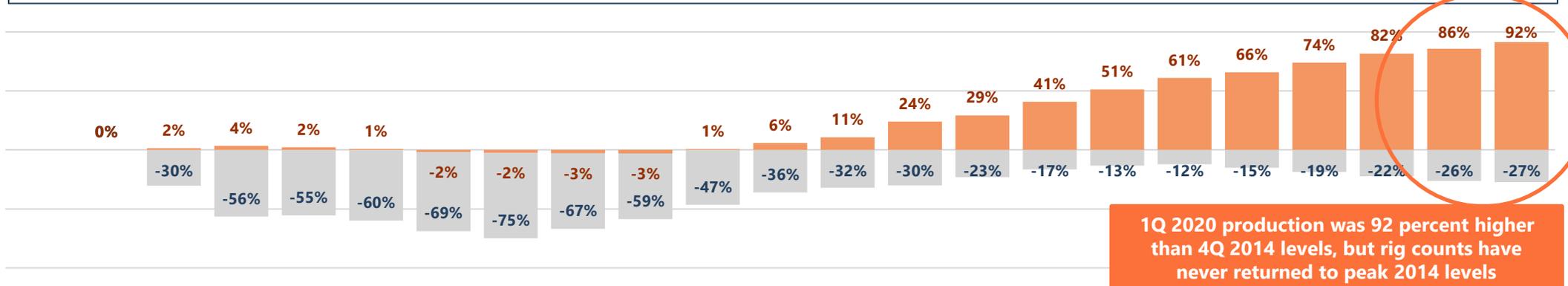
Permian production has proven resilient through prior downturns and as producers have increased drilling efficiencies

2014	2014	2015	2015	2015	2015	2016	2016	2016	2016	2017	2017	2017	2017	2018	2018	2018	2018	2019	2019	2019	2019	2020
Q3	Q4	Q1	Q2	Q3	Q4	Q1																

Permian Activity



% Change from 4Q 2014



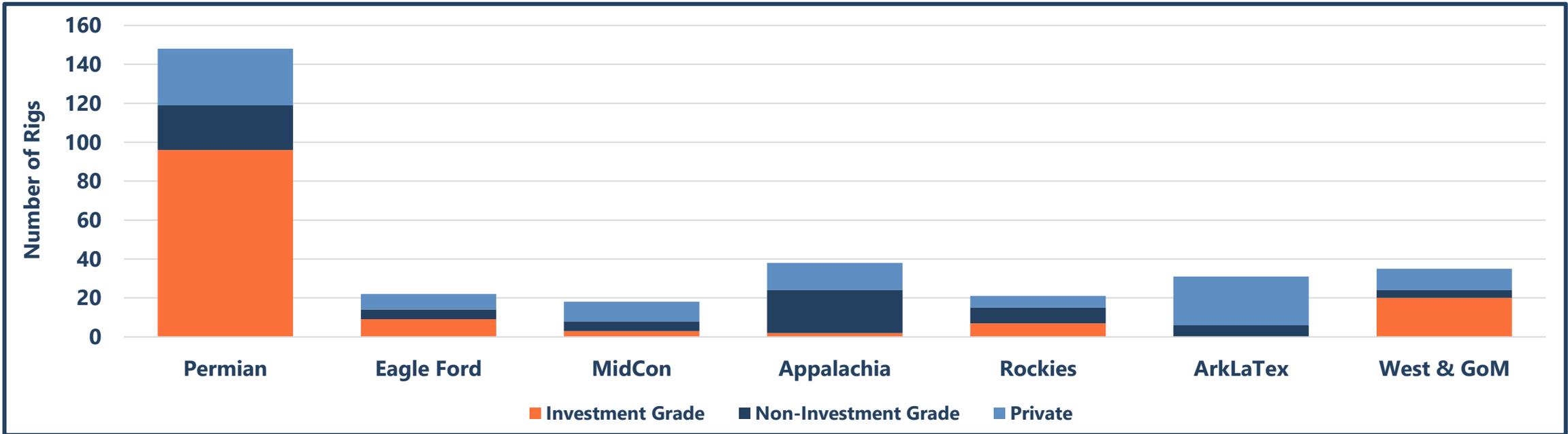
1Q 2020 production was 92 percent higher than 4Q 2014 levels, but rig counts have never returned to peak 2014 levels

Sources: BakerHughes and EIA | ¹ Permian production includes oil and dry gas production at 6:1 boe conversion



Oil-directed drilling remains major focus of IG producers

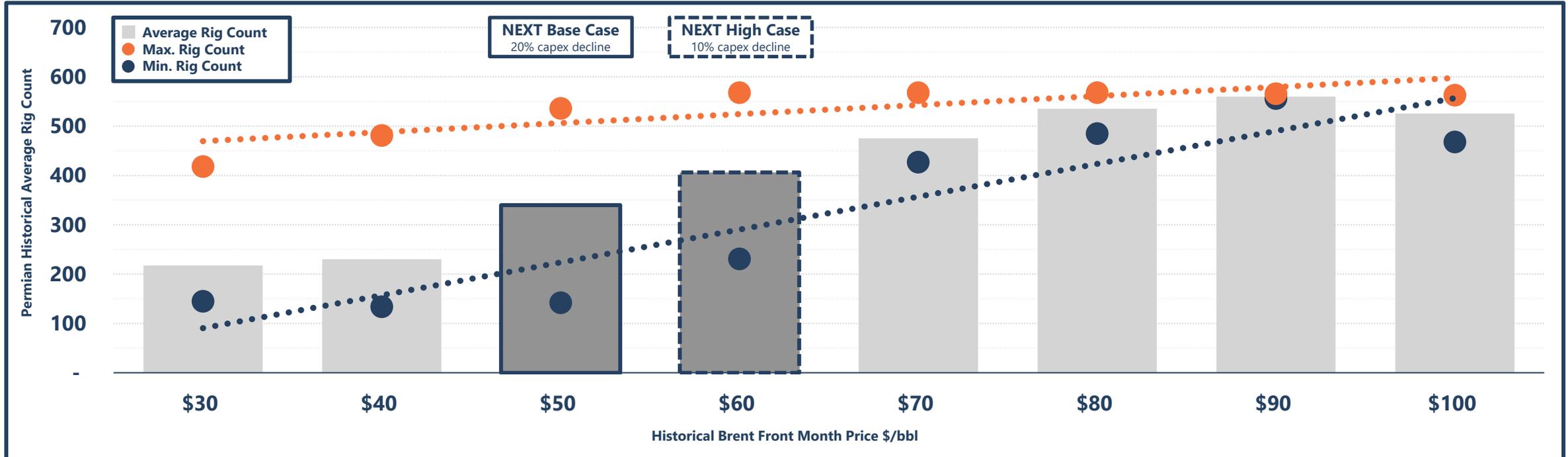
Permian Basin and Eagle Ford Shale home to highest number of rigs among investment grade producers



- 77 percent of rigs operated by investment grade producers are in the Permian Basin and Eagle Ford Shale
- 54 percent of all rigs in the lower 48 United States are in the Permian Basin and Eagle Ford Shale
- Oil-directed drilling in the Permian Basin remains the dominant activity among U.S. producers



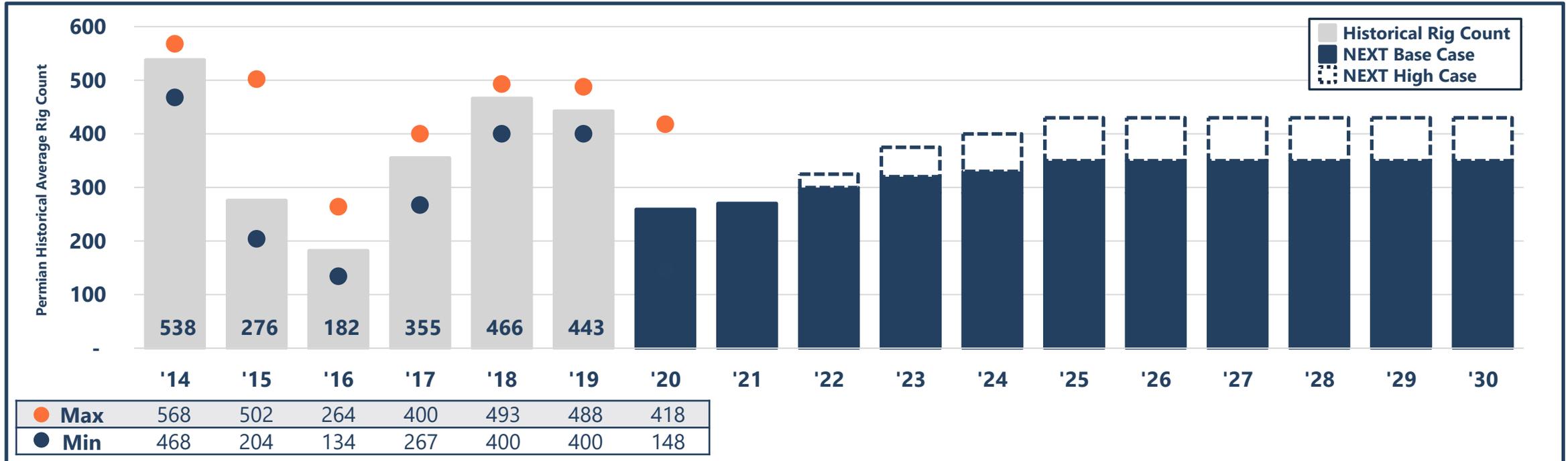
Historical Permian Basin rig counts and Brent pricing



- From 2014 to 2019, a clear pattern exists between Brent pricing and Permian Basin rig counts
- In the 2016/2017 recovery, Permian doubled average rig counts in fewer than 12 months as Brent rose from \$35/bbl to \$55/bbl
- Brent currently trading above \$40/bbl in 2021 with the curve in contango



Permian rig count recovery

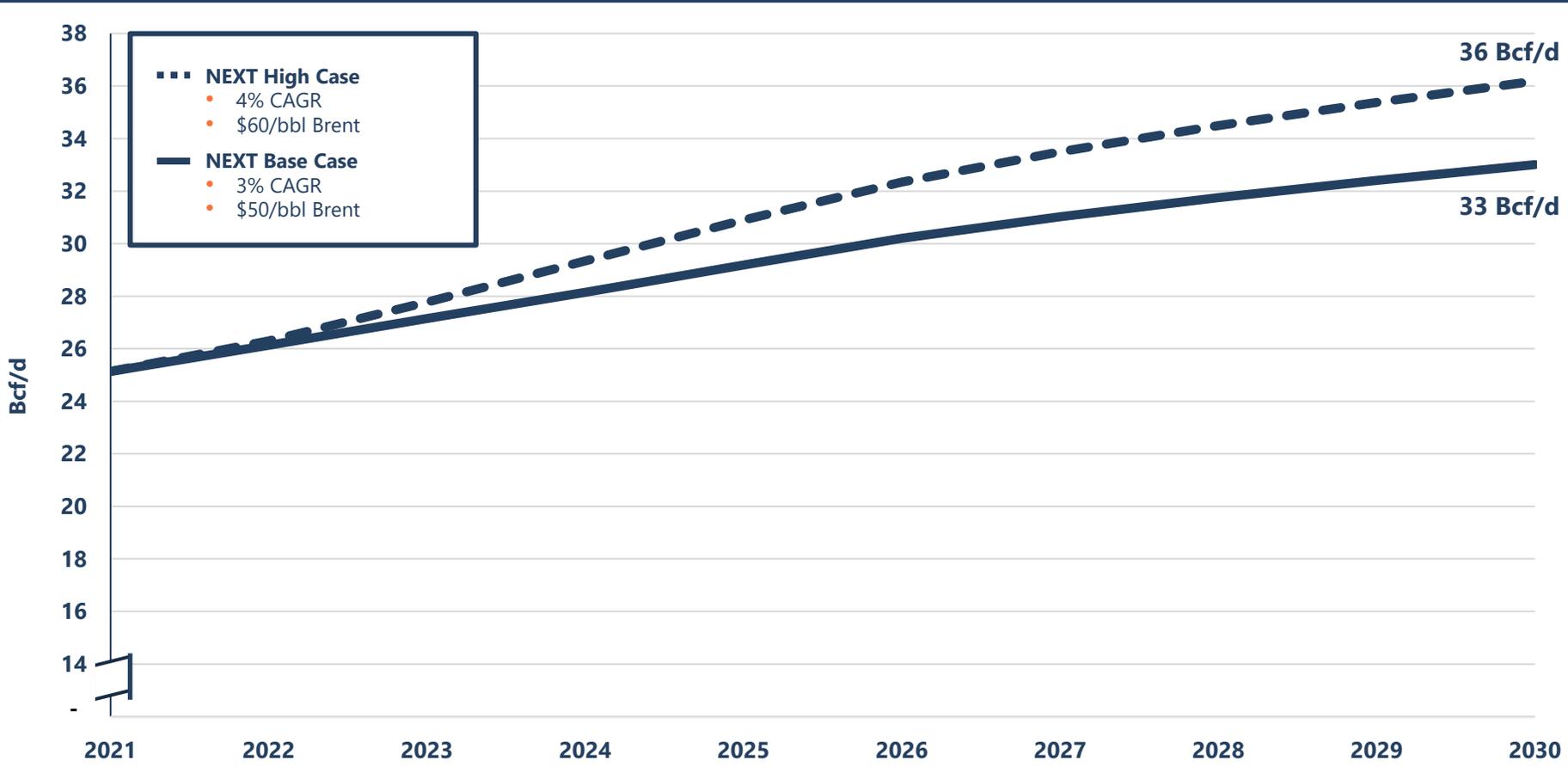


- The 2016/2017 recovery took 18 months from trough-to-peak rig counts (134 to 400)
- Neither NEXT Base Case nor NEXT High Case requires a return to 2018/2019 high rig counts to generate production growth
- NEXT Base Case and NEXT High Case imply gradual returns to 350 rigs and 430 rigs, respectively, and no sooner than 2025
- Unlike the 2016/2017 recovery, Permian oil and gas production does not face midstream capacity constraints



Incremental gas supply in Texas

Driven by continued growth in the Permian Basin, natural gas production in the State of Texas is expected to reach 33-36 Bcf/d by 2030



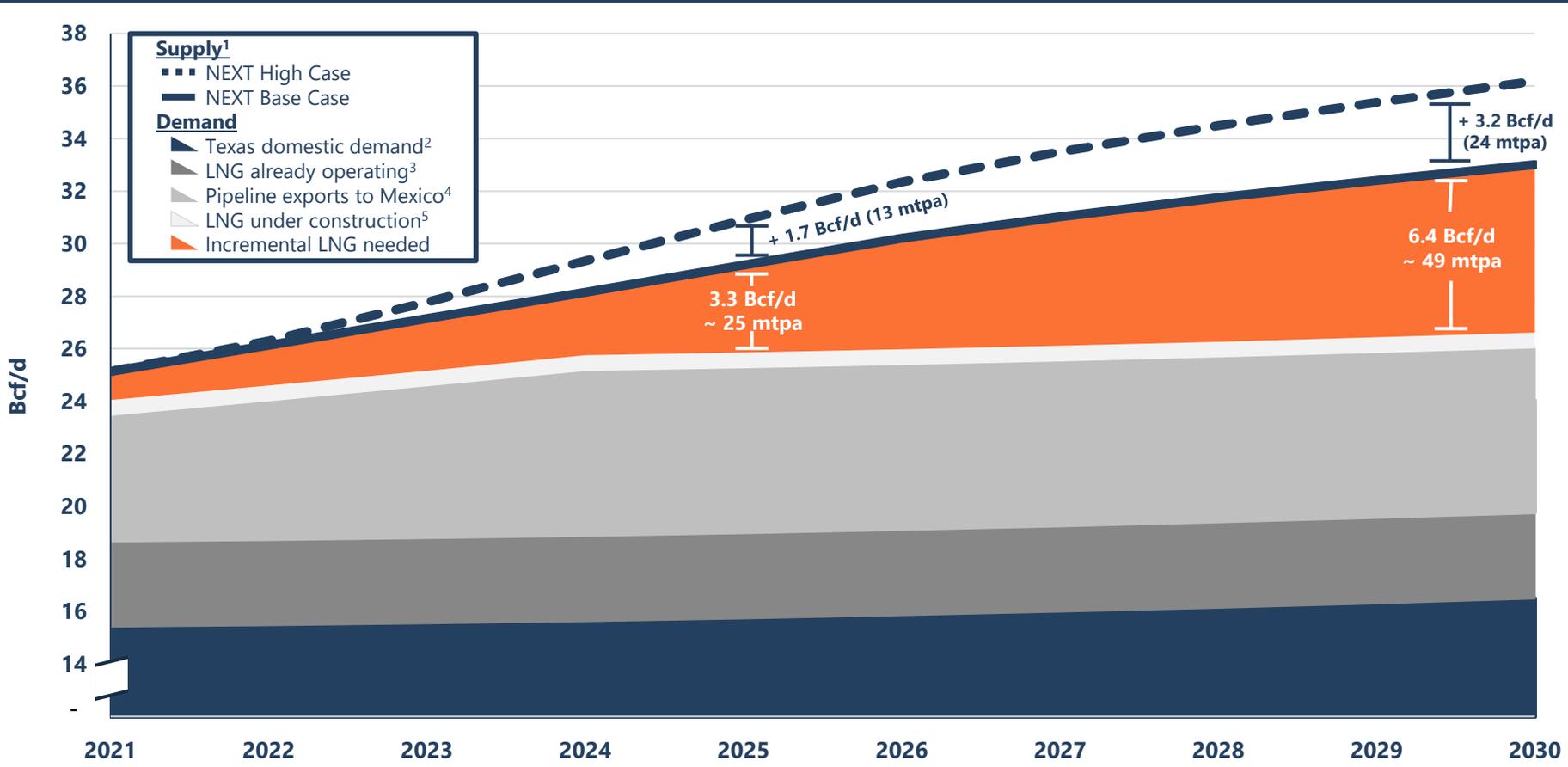
Assumptions

- NEXT Base Case: 350 rigs in the Permian Basin by 2025
- NEXT High Case: 430 rigs in the Permian Basin by 2025
- Texas gas production is comprised of dry gas produced in the Permian, Eagle Ford, Haynesville, and Barnett, net of interstate pipeline flows
- Production growth assumed to occur only in the Permian Basin
- Gas production in other Texas supply basins assumed to be consistent with 2019 levels to 2030
- No drilling efficiency improvements from 2019



Incremental gas supply and demand in Texas

The Texas Gulf Coast may need up to 73 mtpa of incremental LNG export capacity, equivalent to 9.6 Bcf/d, to support expected natural gas production growth by 2030



Why LNG?

- Despite disruption caused by COVID-19, Texas natural gas production is expected to continue growing
- Growth in Texas and Mexico gas demand to support incremental natural gas production remains limited
- Texas needs incremental LNG export capacity to support projected natural gas production growth by 2030
- LNG projects can provide flow assurance for associated gas from oil production



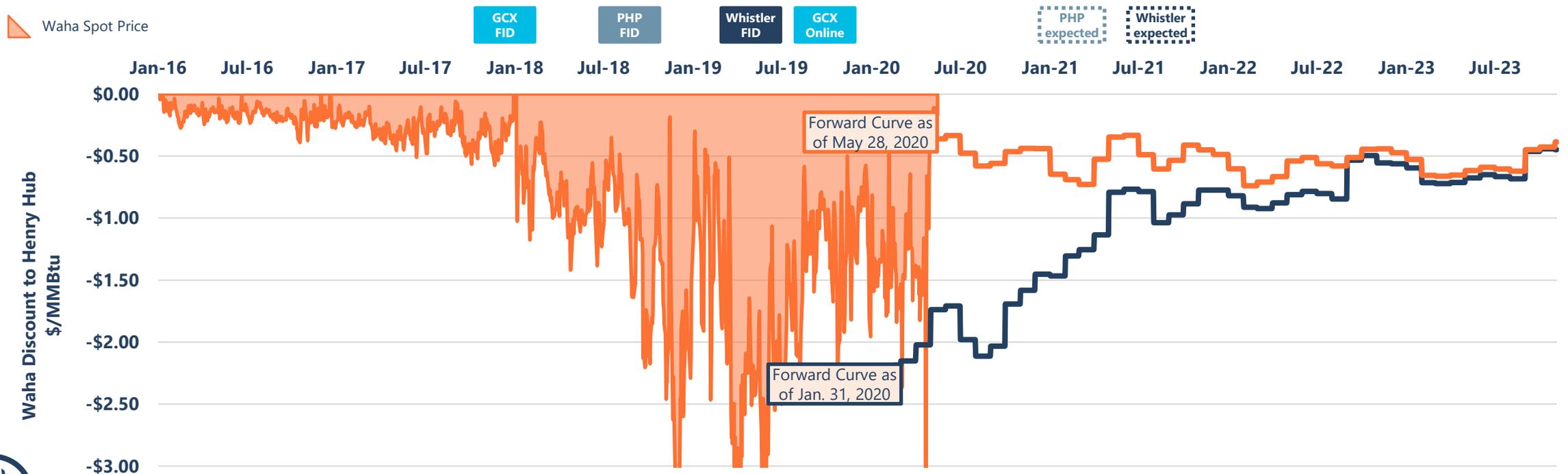
¹ Dry gas production in Permian, Eagle Ford, Haynesville, and Barnett. NextDecade basin estimates using data from U.S. Energy Information Administration (EIA), Enverus, BakerHughes, Barclays, and various public records. Growth is assumed only in the Permian Basin. Production in other basins assumed to be consistent with 2019 levels out to 2030. | ² Texas natural gas consumption (EIA) includes residential, commercial, industrial, electric, vehicle, and plant and pipeline fuel. Calculations are net of interstate pipeline flows. Assumes 2 percent annual growth in Texas demand. | ³ Includes five LNG trains already operating in Texas as of June 2020: Corpus Christi Trains 1-2 and Freeport Trains 1-3. | ⁴ Assumes incremental 2 Bcf/d of pipeline exports to Mexico. | ⁵ Corpus Christi Train 3.

Waha discount persists in spite of short-term disruption

Longer term market implies significant increases in associated gas production in Texas with insufficient demand to absorb large volumes

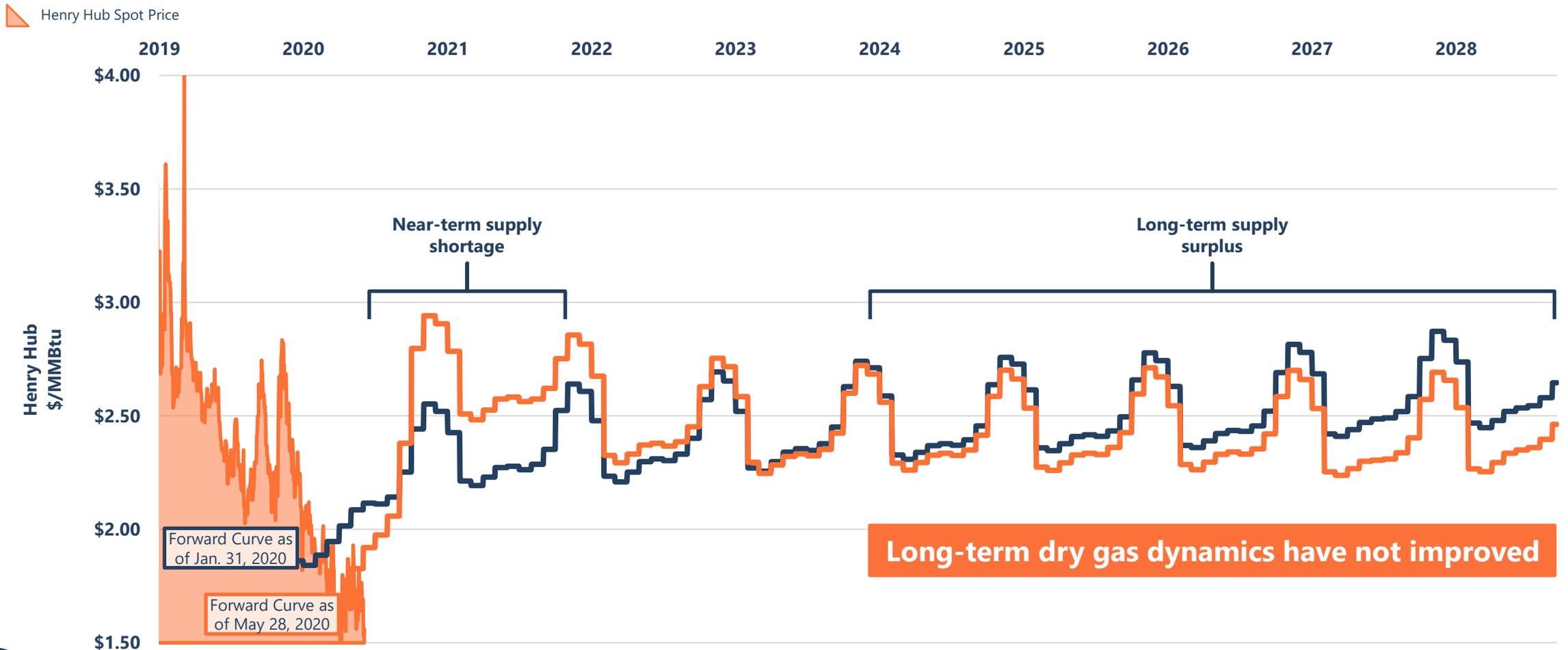
Forward curve resembles pre-COVID-19 levels despite:

- Reduced 2020 capex budgets across all producers
- Lower Permian Basin rig counts (May 29: 148 rigs compared to year-ago level of 452 rigs)
- Another 4+ Bcf/d of takeaway capacity under construction (Permian Highway and Whistler)



Henry Hub expected to remain in-line with pre-COVID 19 levels

Market anticipates continuation of significant gas production coupled with insufficient domestic demand





Conclusion

Fundamentals remain firmly intact



Development of NextDecade's Rio Grande LNG project remains critically important to the future of global LNG and Texas oil & gas markets

Global LNG market will tighten, more FIDs needed to offset supply shortfall

Permian Basin has an enormous economic associated gas resource

Texas natural gas production still expected to grow by up to 10 Bcf/d

In any COVID-19 recovery scenario, Texas producers need incremental LNG export capacity to support natural gas production growth



"Our balance sheet is strong, we have no debt outstanding, and the long-term fundamentals for our Rio Grande LNG project remain firmly intact. This solid foundation, together with our sustained regulatory, engineering, and commercial progress, positions NextDecade extremely well for when global market conditions improve."

-- Matt Schatzman, NextDecade Chairman and Chief Executive Officer, May 18, 2020



NASDAQ: NEXT



Office



Project Location

