

## Market Fundamentals

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November 2020

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This presentation contains certain statements that are, or may be deemed to be, “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact contained in this presentation, including statements regarding the future results of operations and financial position of NextDecade Corporation and its subsidiaries (collectively, the “Company” or “NextDecade”), its strategy and plans, and its expectations for future operations, are forward-looking statements. The words “anticipate,” “contemplate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “might,” “will,” “would,” “could,” “should,” “can have,” “likely,” “continue,” “design” and other words and terms of similar expressions, are intended to identify forward-looking statements.

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**NASDAQ: NEXT**



**NEXT  
DECADE**

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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.





# Texas Gas Supply Fundamentals



# Long-term fundamentals of Rio Grande LNG remain firmly intact

**Global LNG market will tighten, more FIDs needed to offset supply shortfall<sup>1</sup>**



**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 and Eagle Ford have enormous economic gas resource**



**The Permian Basin and Eagle Ford Shale have proven resilient through prior downturns, and are poised to recover rapidly**

**The Permian and Eagle Ford are 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 critically important to the future of the Texas oil and gas markets**

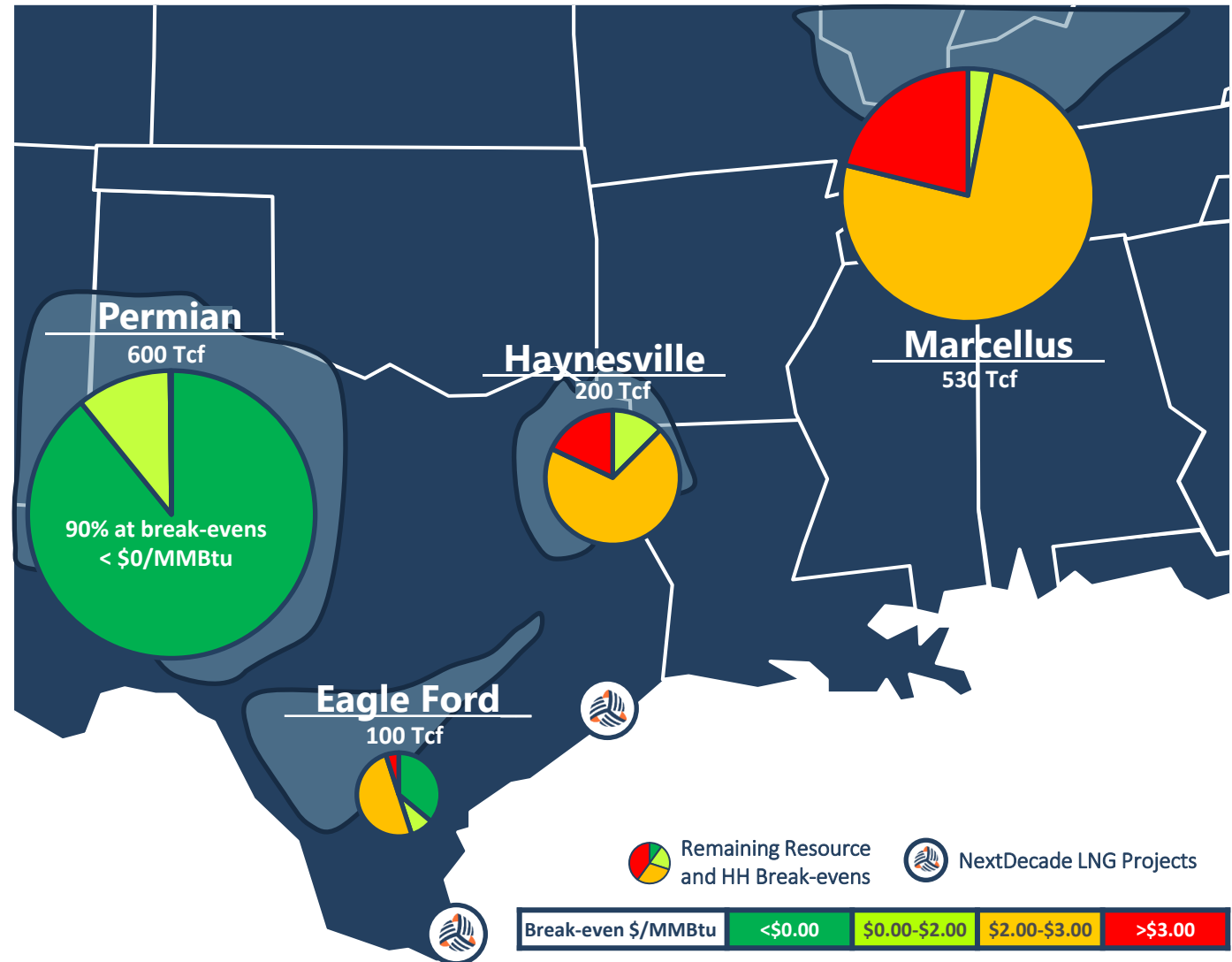
<sup>1</sup> Global LNG market fundamentals addressed in more detail in Section 2 of this presentation



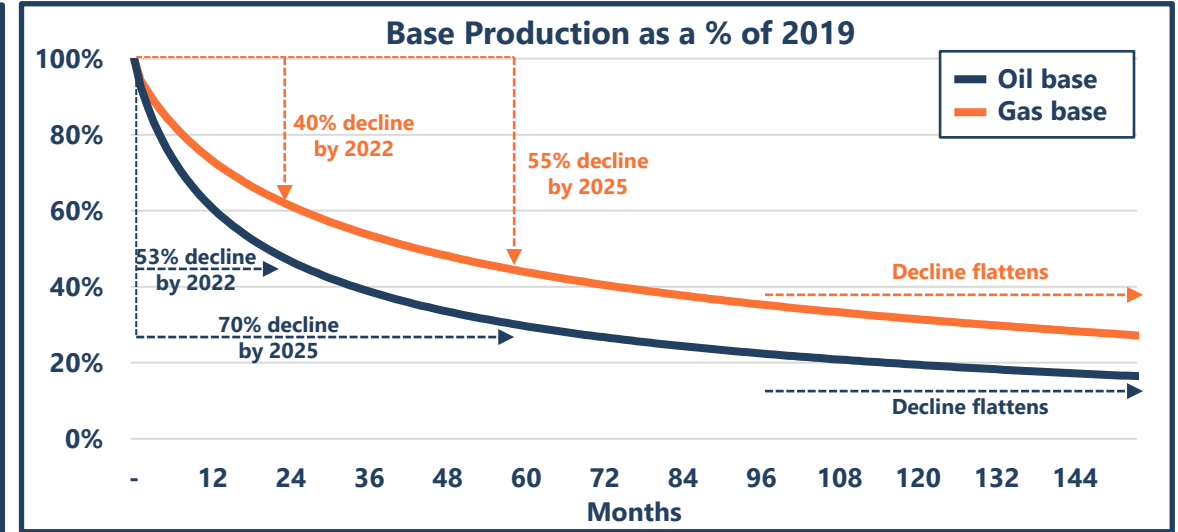
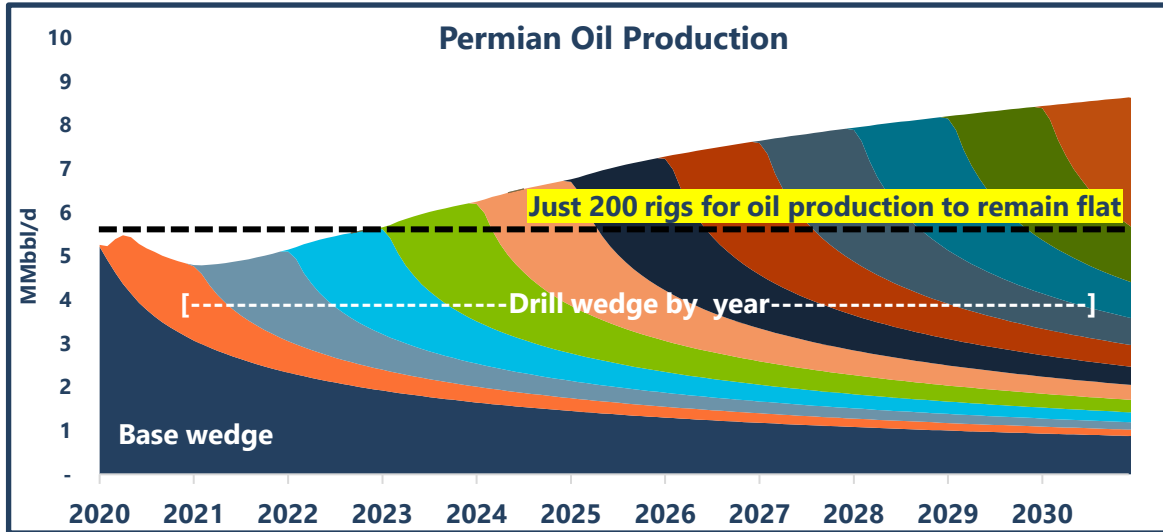
# Permian and Eagle Ford: superior resource and economics

The State of Texas offers the deepest inventory of economic natural gas resource in the world

- 700 Tcf of remaining natural gas resource in the Permian Basin and Eagle Ford Shale combined
- Associated gas driven by oil production economics along with potential resurgence of premium dry gas plays in the Eagle Ford (e.g. EOG's November 2020 announcement of Dorado, competitive with premium oil inventory)
- 90 percent of remaining Permian Basin natural gas resource can be produced at break-evens below \$0/MMBtu
- The Permian Basin and Eagle Ford Shale will produce significant quantities of low-cost natural gas for decades



# Focus on long-term production trends



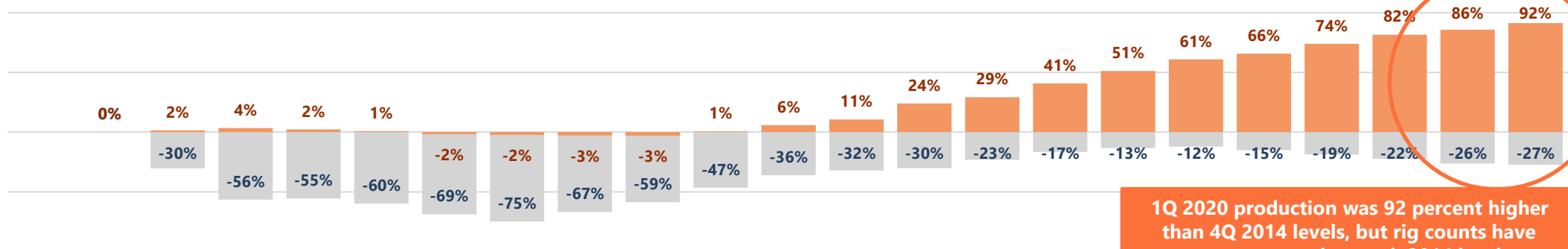
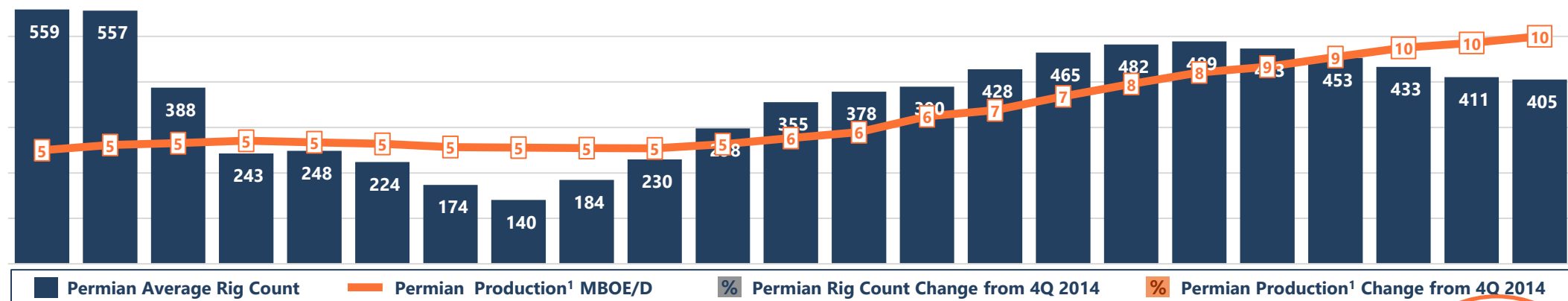
- Most analyst, consultant, and media reports focus on reduced production in the immediate term
- As base declines flatten, even small amounts of new drilling activity can rebuild basin production quickly
- Gas production is more resistant to decline than oil production even with a significant drop in 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	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1

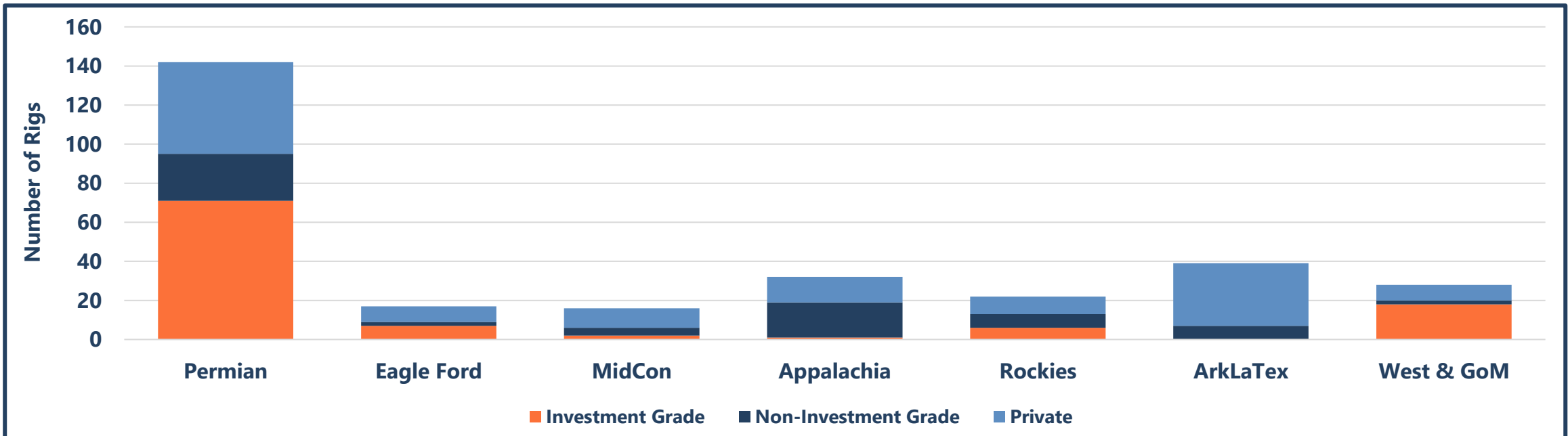




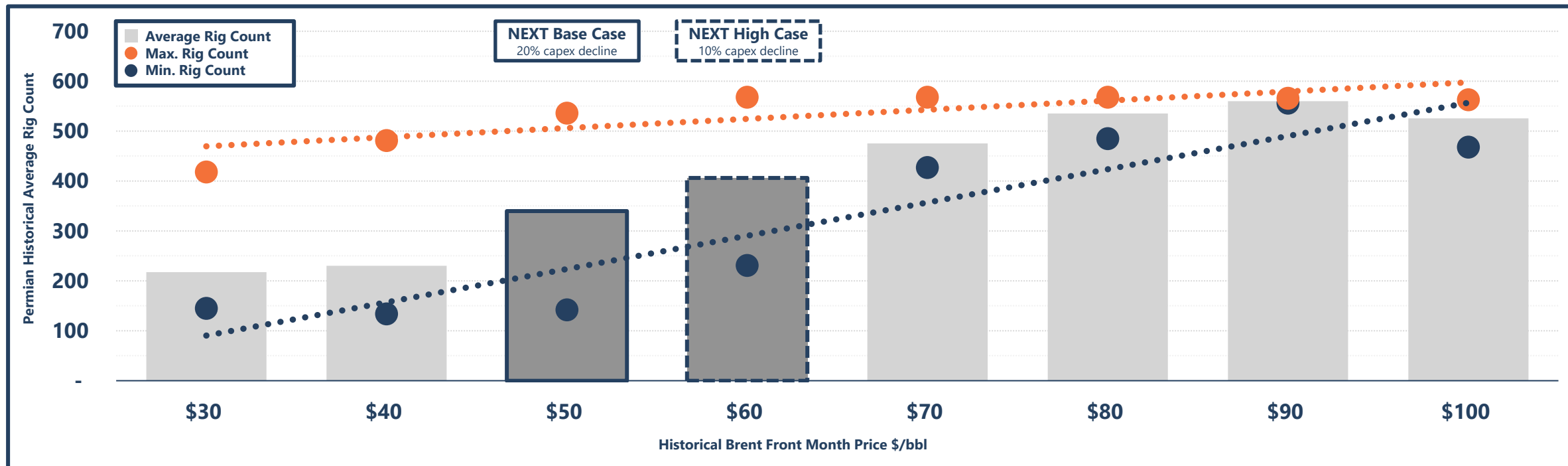
# U.S. industry leaders are focused on Permian, Eagle Ford

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

- 75 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 investment grade producers in the U.S.



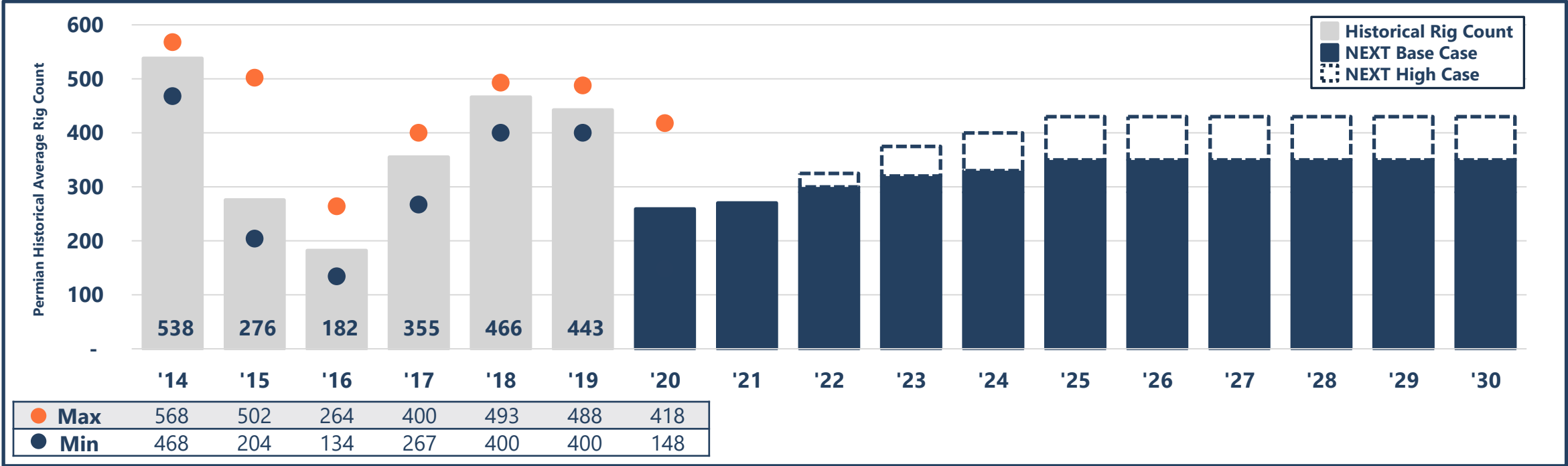
# Historical Permian Basin rig counts and Brent pricing



- 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



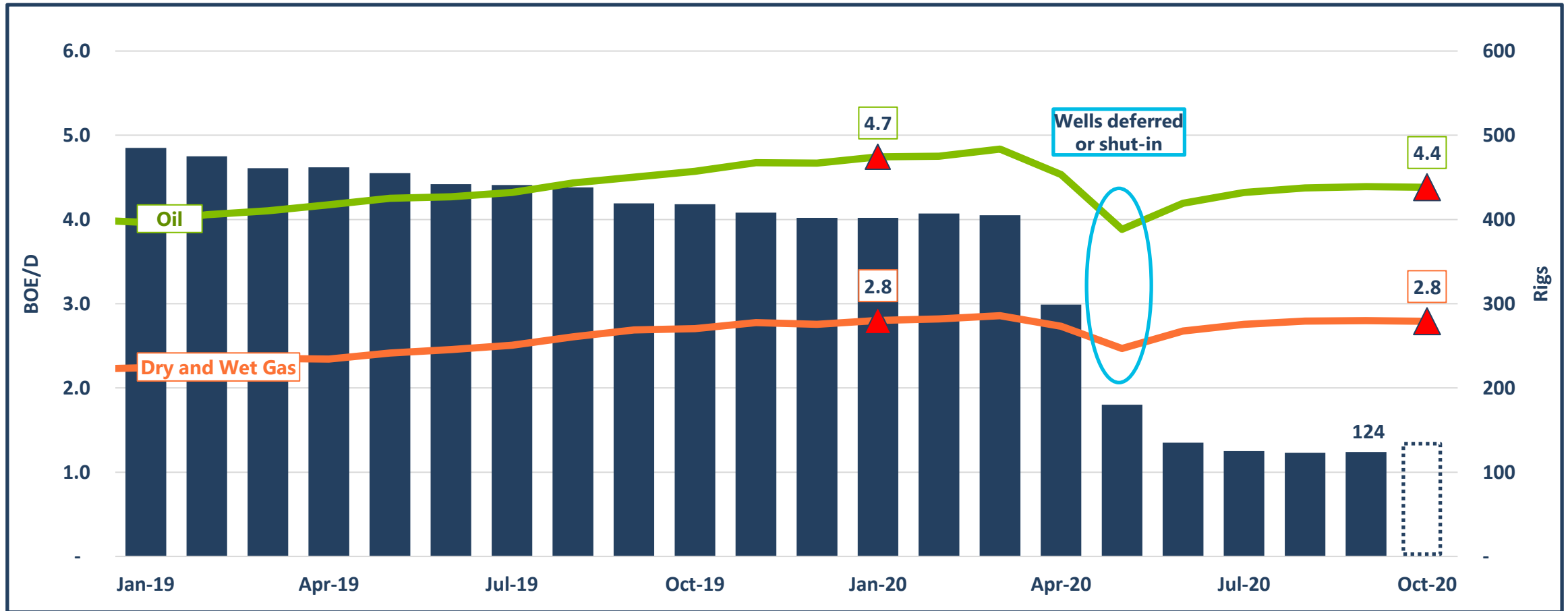
- The 2016/2017 recovery took 18 months from trough-to-peak rig counts (134 to 400)
- Neither NEXT Base Case nor NEXT High Case requires a return to 2018/2019 high rig counts to generate production growth
- NEXT Base Case and NEXT High Case imply gradual returns to 350 rigs and 430 rigs, respectively,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





# Permian drilling and production status

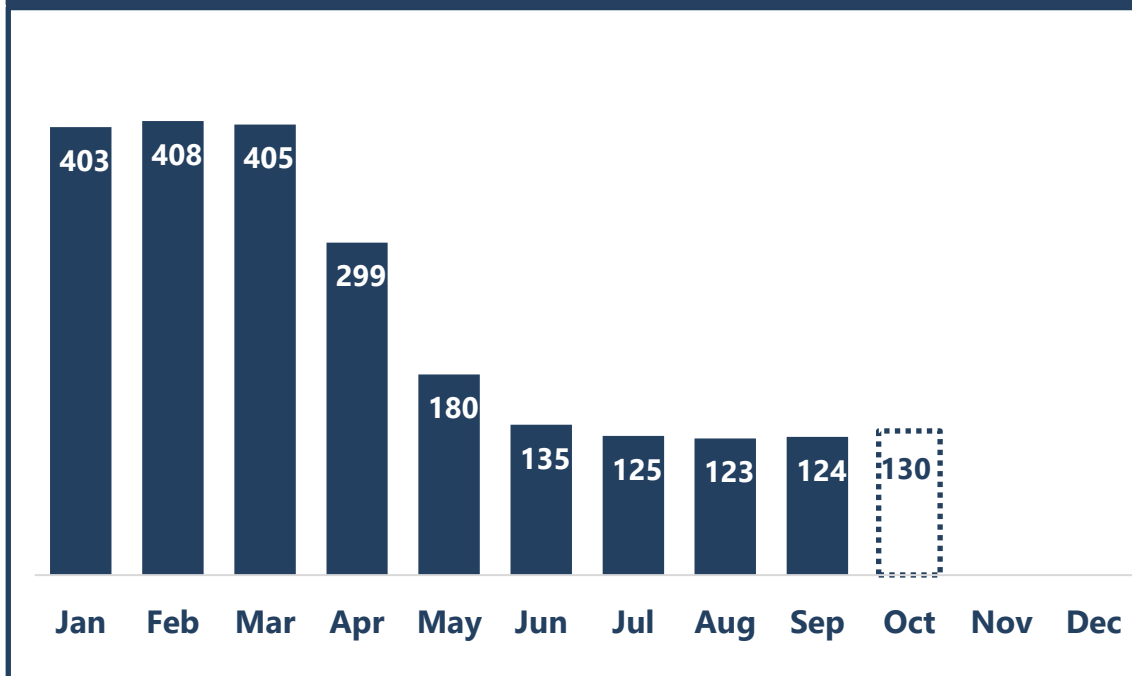
Permian oil and gas has remained resilient despite low rig counts



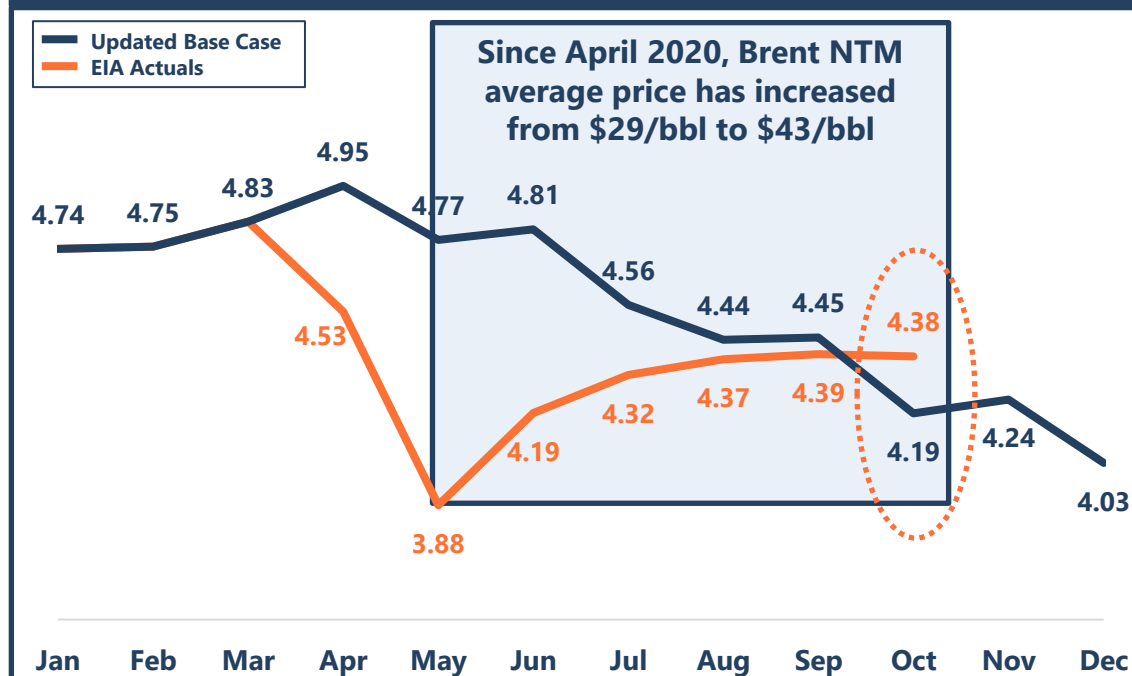
# Permian production postponed, not cancelled

- At quarterly rig counts of 124, Permian oil production was expected to be 200,000 bbl/d less than current actuals<sup>1</sup>
- Permian oil production is defying expectations and has been growing month-to-month since May 2020

## Permian Rig Count

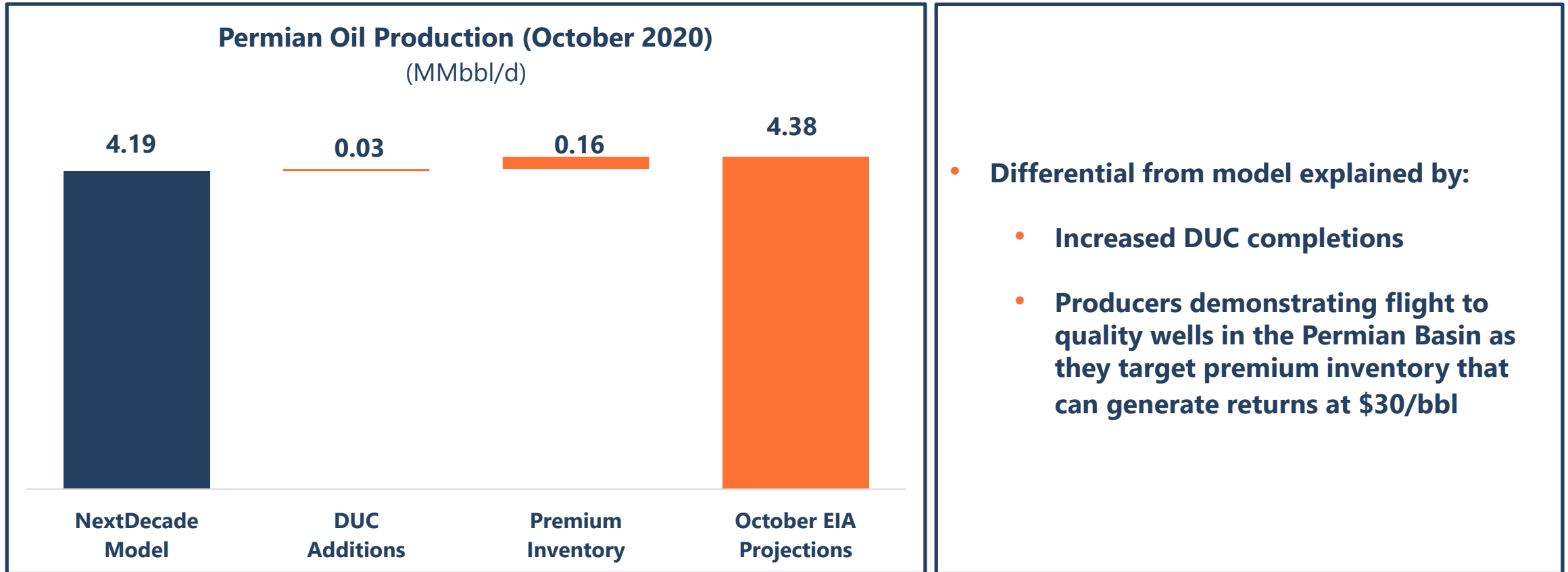


## Permian Oil (MMbbl/d)



# Permian oil production waterfall

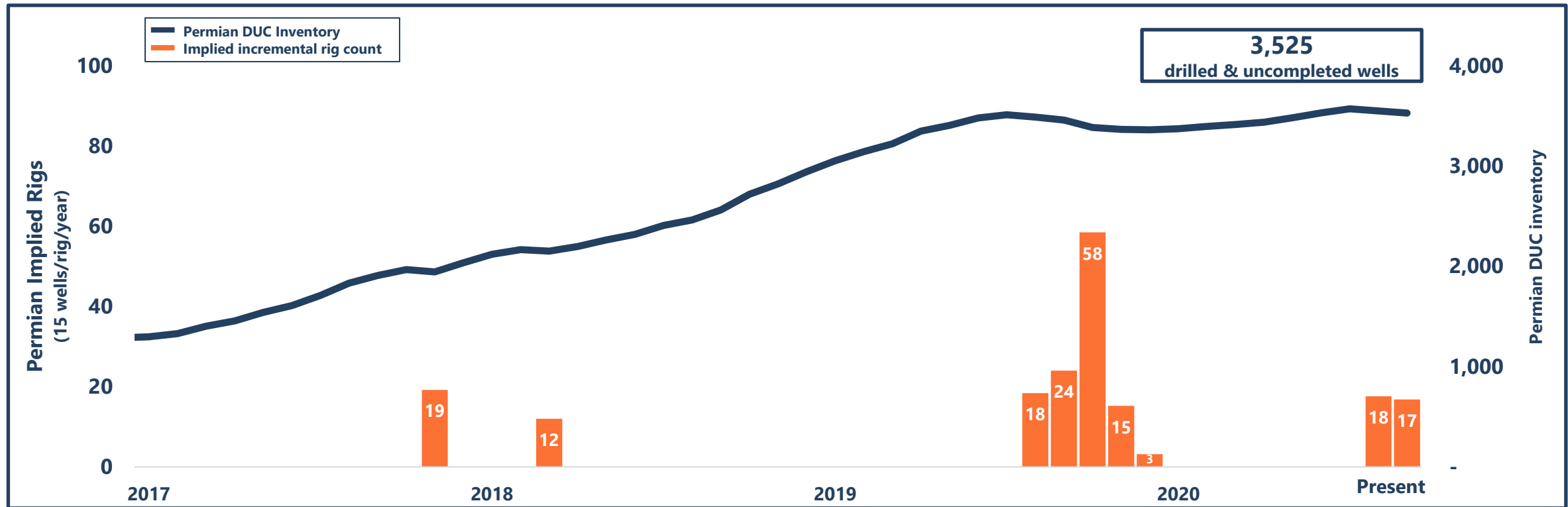
Permian producers seek to create long-term value through high-return investment and capital discipline



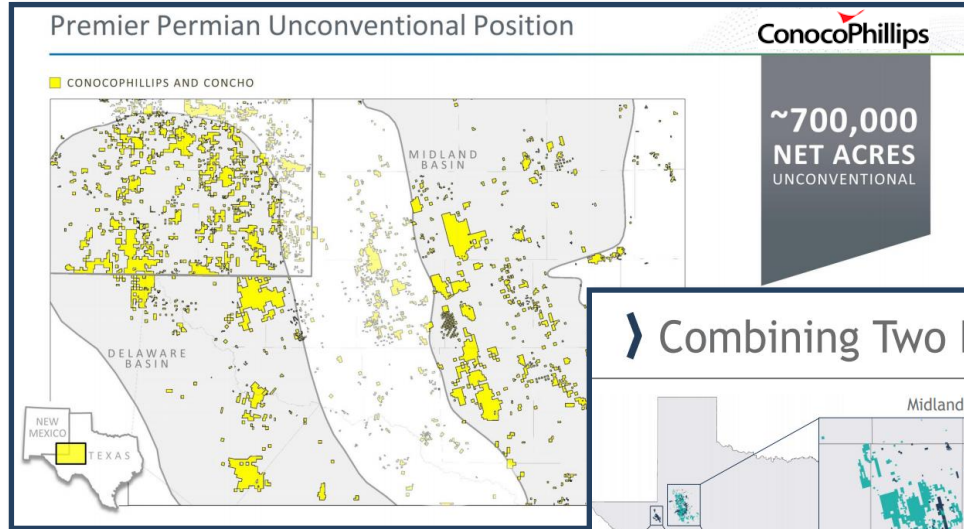


# Permian frac activity builds on recent price gains

- Since 2017, the Permian Basin has completed more wells than drilled in just 10 out of 45 months
- September and October frac spreads have continued to climb driven largely by Permian activity
- Completion of DUC inventory keeps capital expenditure low while maintaining production targets



# Premium drilling

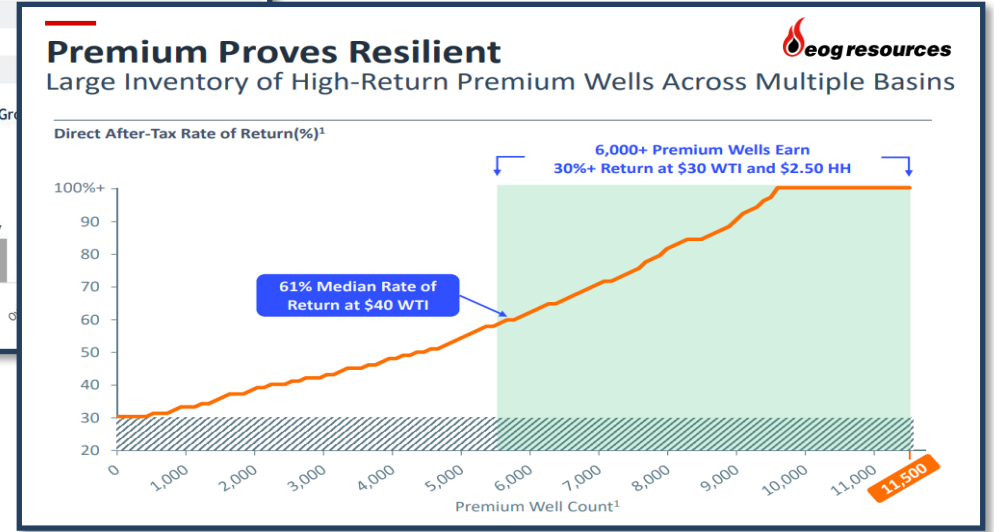
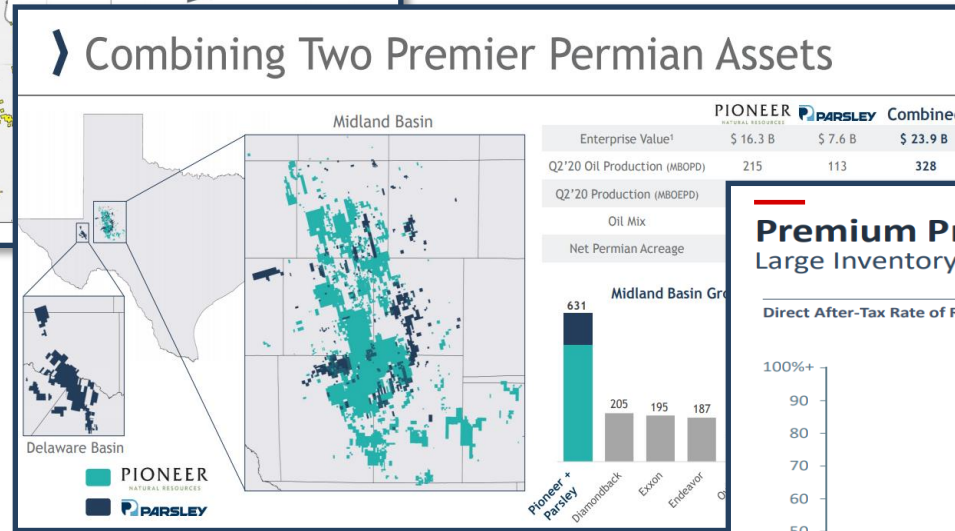


Producers focus on  
premium drilling

- Drilling programs that target inventory with high returns even in low-price environments
- EOG updated its premium inventory assessment following the November 2020 announcement of Dorado, an Eagle Ford dry gas play with 21 Tcf of net resource potential
- EOG has a 6,000+ well inventory that earns 30%+ direct ATROR at \$30/bbl WTI and \$2.50/MMBtu Henry Hub

Convert non-premium  
to premium

- Continuous well cost reductions
- Improved target selection
- New completion technology
- Infrastructure additions to lower operating costs



# Combining premier assets for deeper inventory

## Permian Basin turns to mergers and acquisitions



July 2020

September 2020

October 2020

October 2020

2.2 million  
net acres

400,000  
net acres

700,000  
net acres

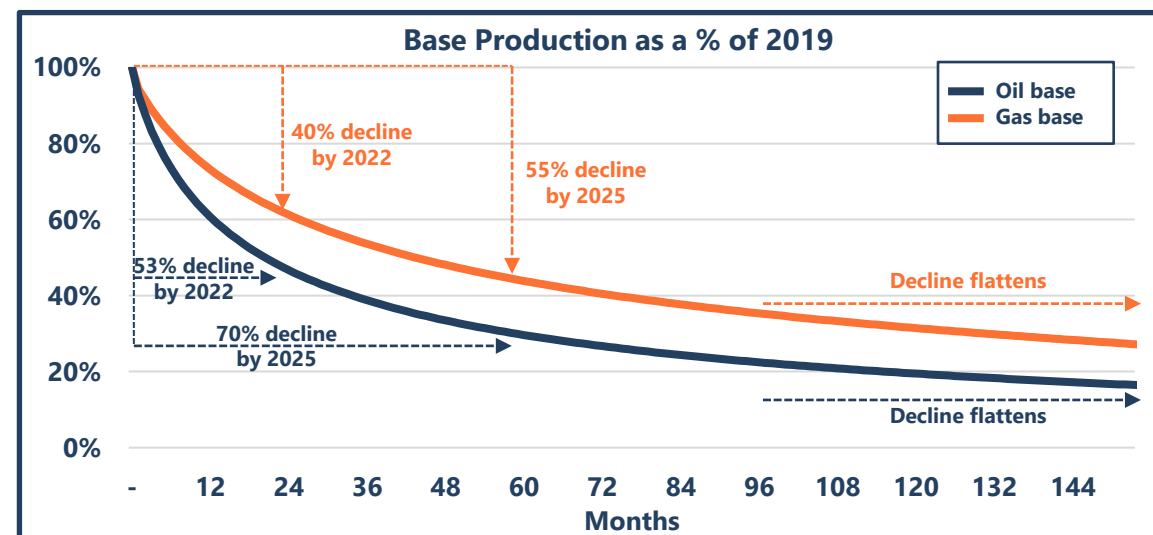
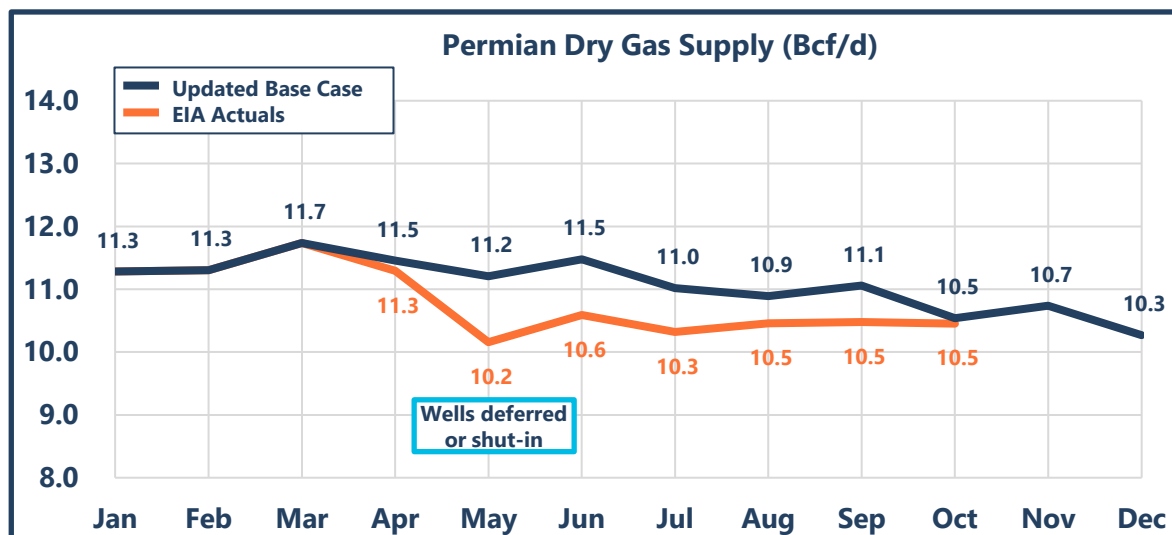
930,000  
net acres





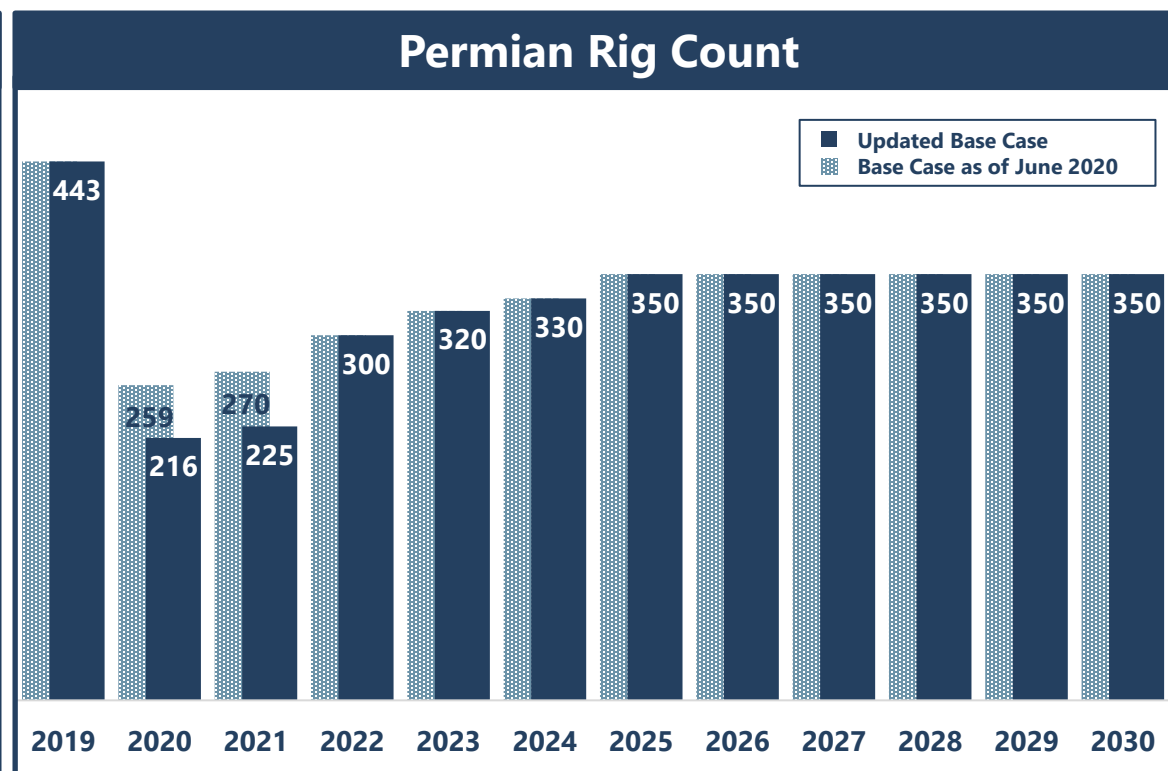
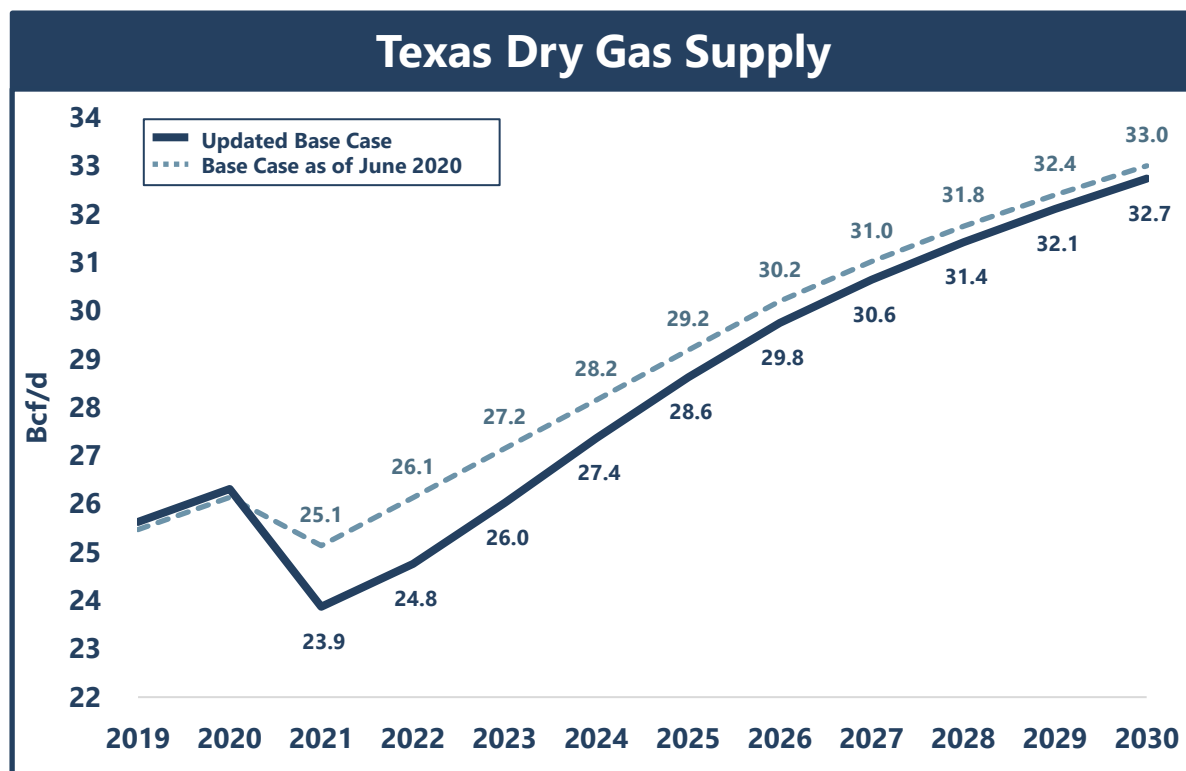
# Permian dry gas

Actual gas production, ex shut-ins, is in-line with NextDecade model



# Texas gas production will continue to grow

- Flat oil is unrealistic as it assumes no price recovery in the market
- Net result of Permian's lower rig count activity in 2020 is 300-600 MMcf/d in 2025 and 2030
- Forecast assumes no impact from: (1) DUC completions; (2) flight to quality wells; (3) resurgence of Eagle Ford premium dry gas plays

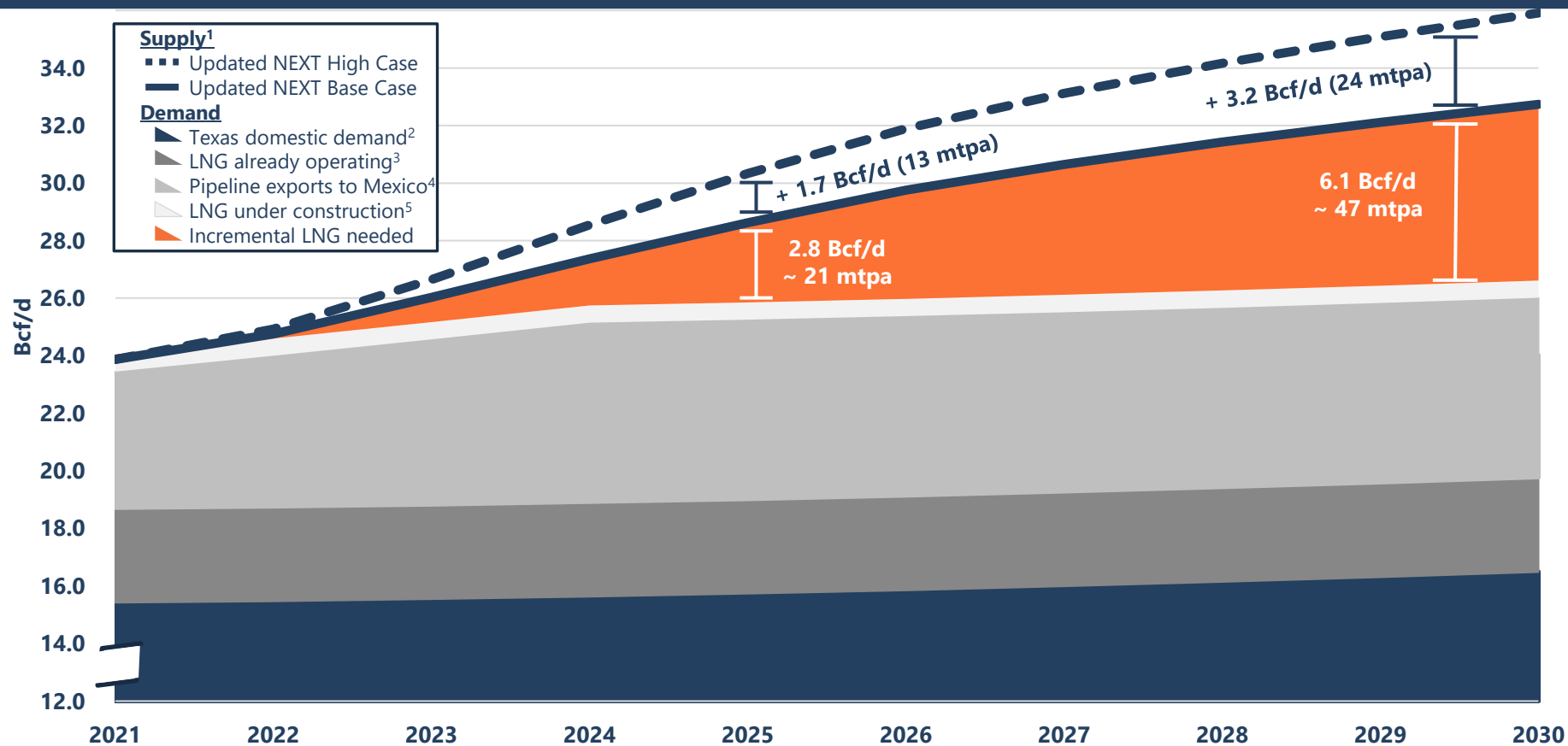


Note: Texas dry gas forecast assumes growth only in the Permian Basin. Production in other Texas basins assumed to be consistent with 2019 levels out to 2030.



# Incremental gas supply and demand in Texas

**Texas may need upwards of 71 mtpa of incremental LNG export capacity, equivalent to 9.3 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



<sup>1</sup> 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 and Eagle Ford Shale; Haynesville and Barnett production assumed to be consistent with 2019 levels out to 2030. | <sup>2</sup> 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% annual growth in Texas demand. | <sup>3</sup> Includes five LNG trains already operating in Texas as of November 2020: Corpus Christi Trains 1-2 and Freeport Trains 1-3. | <sup>4</sup> Pipeline exports to Mexico assumed to grow by an incremental 2 bcf/d | <sup>5</sup> Corpus Christi Train



# Global LNG Market Fundamentals



# Fundamentals remain firmly intact



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

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

**LNG pricing mechanisms are evolving to meet the needs of today's market**

**More accelerated coal-to-gas switching could lead to significantly higher demand in key economies**

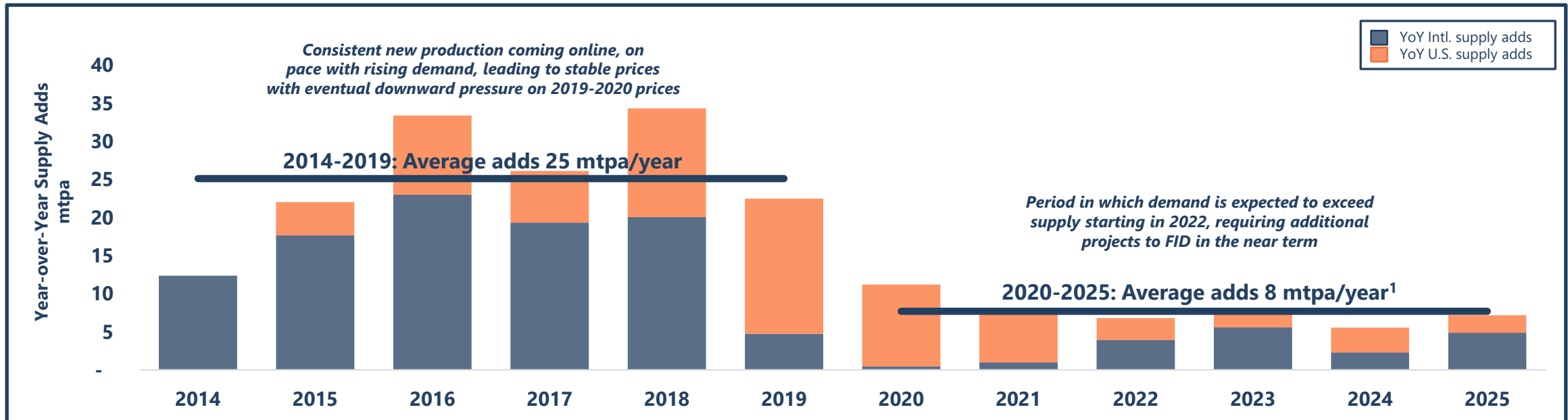
**Continued LNG demand growth is supported by gas' role in facilitating the global energy transition to a low-carbon future**



# Reduction in new LNG supply tightens global LNG market

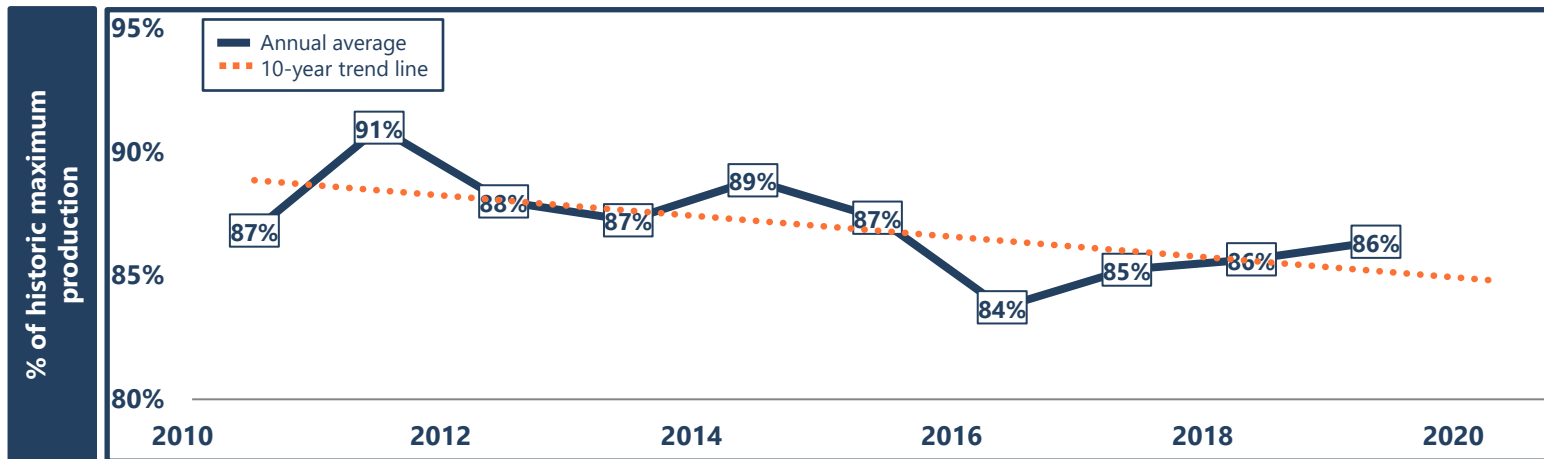
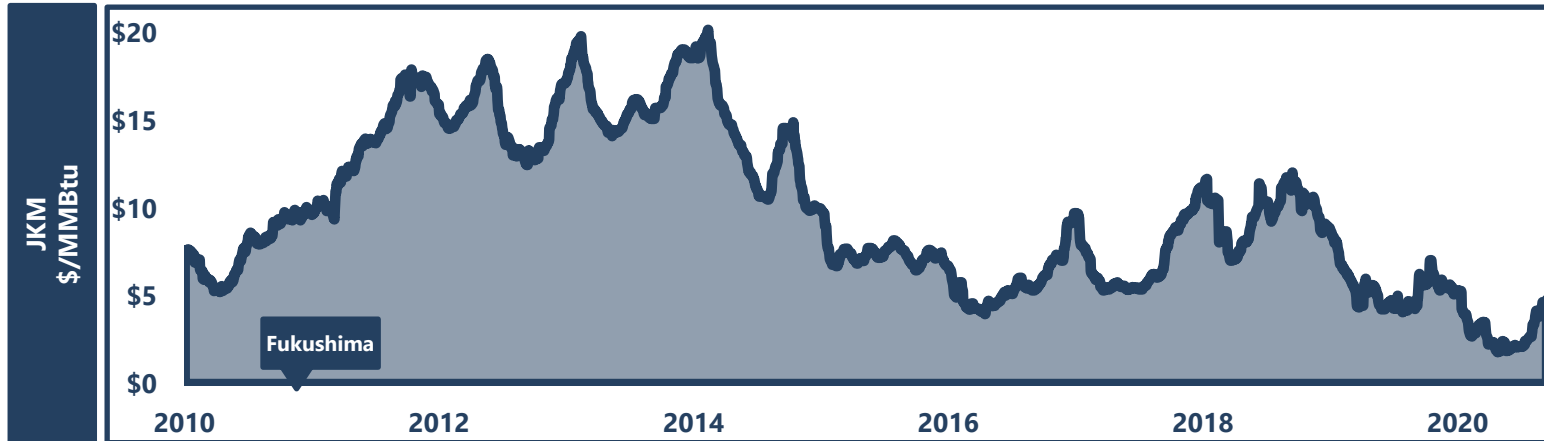
Supply shortfall is increasingly likely now that projects – including some that have already achieved FID – are being “pushed to the right” due to near-term COVID-19 disruption

- 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 47 mtpa of incremental liquefaction capacity will be added by 2025<sup>1</sup>
- Potential schedule and budget challenges, including for projects that have achieved FID, may further reduce available supply



# Existing LNG capacity not capable of meeting growing demand

The U.S. has some of the deepest inventories of economic natural gas resource in the world



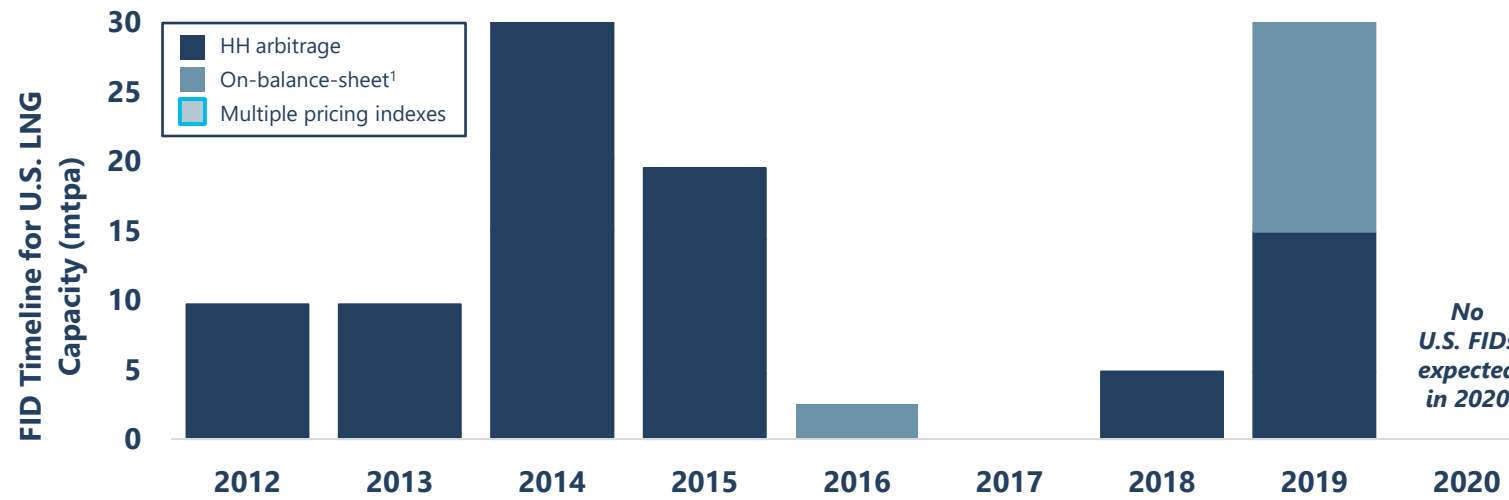
- Global capacity utilization is trending downward due to:
  - Depleting upstream sources for feedgas
  - Growing domestic natural gas demand in countries where LNG is produced
- Declining utilization hinders the market's ability to balance global supply and demand
- Abundant natural gas supply is a cornerstone to any new LNG capacity



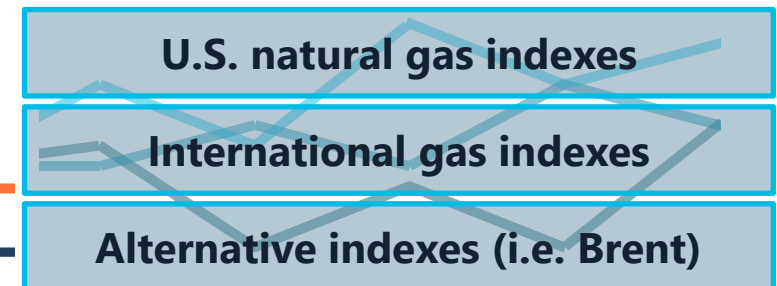
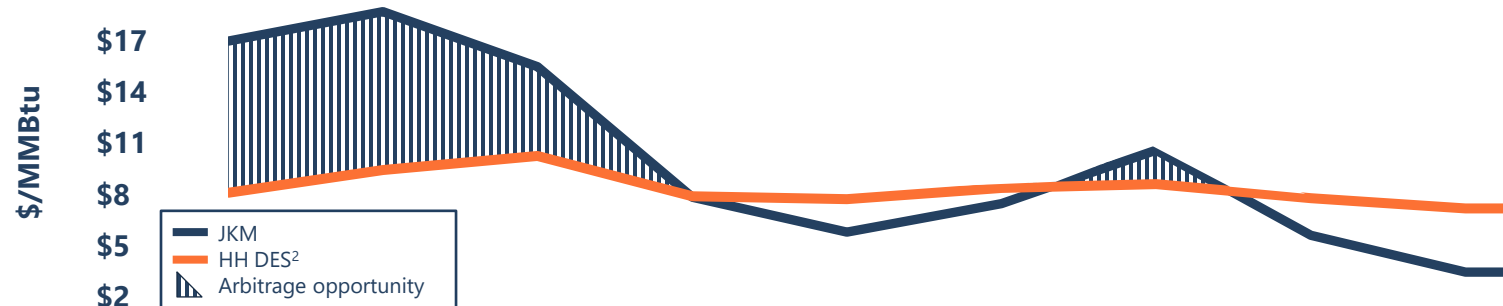
# Incremental U.S. volumes will be priced differently

Prior to 2020, international LNG buyers enjoyed Henry Hub arbitrage, which helped the U.S. become the world's third-largest exporter of LNG

Limited future arbitrage requires multiple pricing indexes to enable incremental U.S. LNG to reach global markets

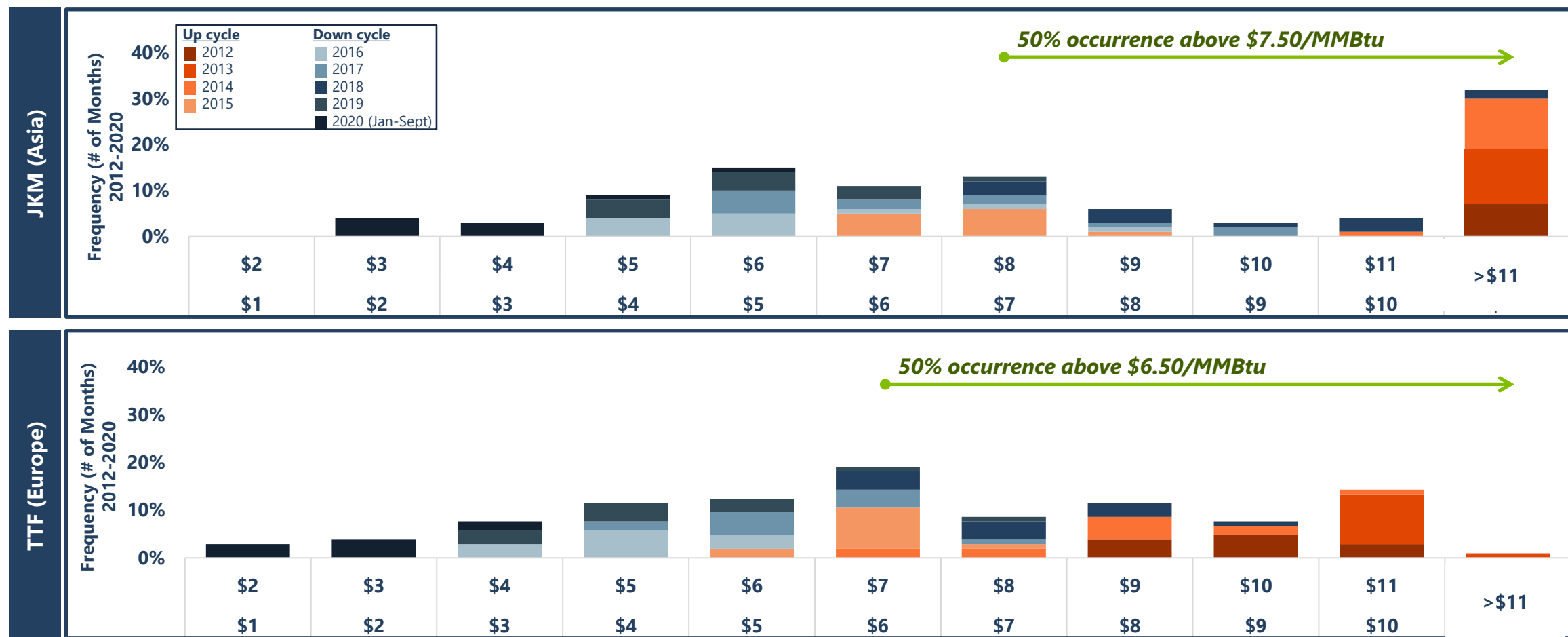


Next wave U.S. LNG requires a different approach



# Benefits of international pricing

**JKM and TTF prices expected to be above \$7.50 and \$6.50, respectively, by 2023**

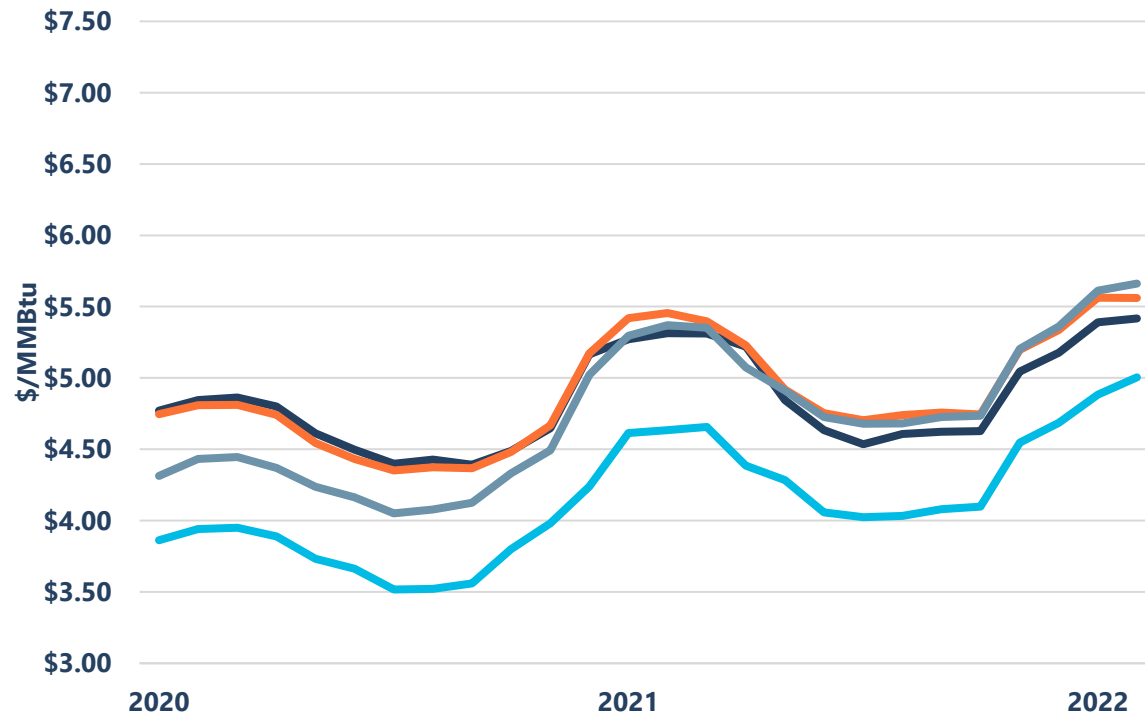




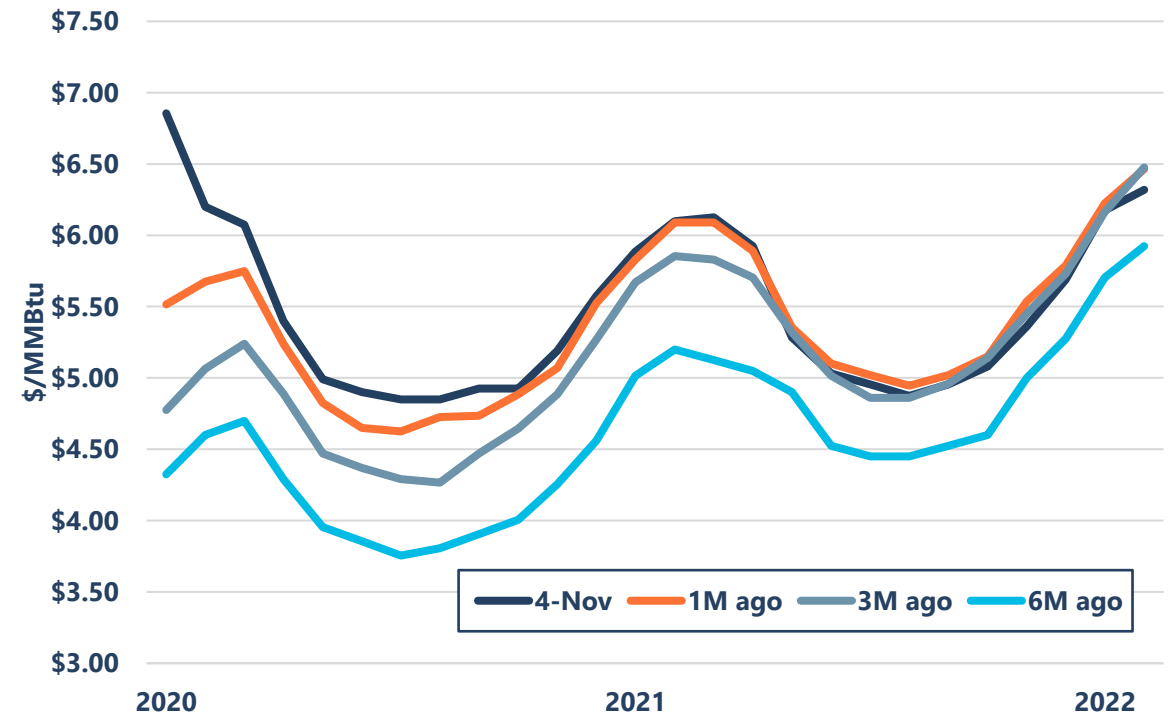
# LNG prices can change quickly

Short-term price trends can drive long-term contracting behavior, and resilient LNG demand in conjunction with reduced new capacity additions through 2025 will drive prices higher

## TTF forward prices



## JKM forward prices



# The role of natural gas in the global energy transition

Natural gas plays a critical role in facilitating a low-carbon future

- **Governments and companies around the world are prioritizing emissions reduction**
- **Policies that accelerate the pursuit of cleaner forms of energy generally require natural gas to enable the achievement of emissions targets**
- **The European Union aims to be the world's first climate-neutral continent by 2050, and the United Kingdom has separately established a legally binding target to reduce GHG emissions to net zero by 2050**

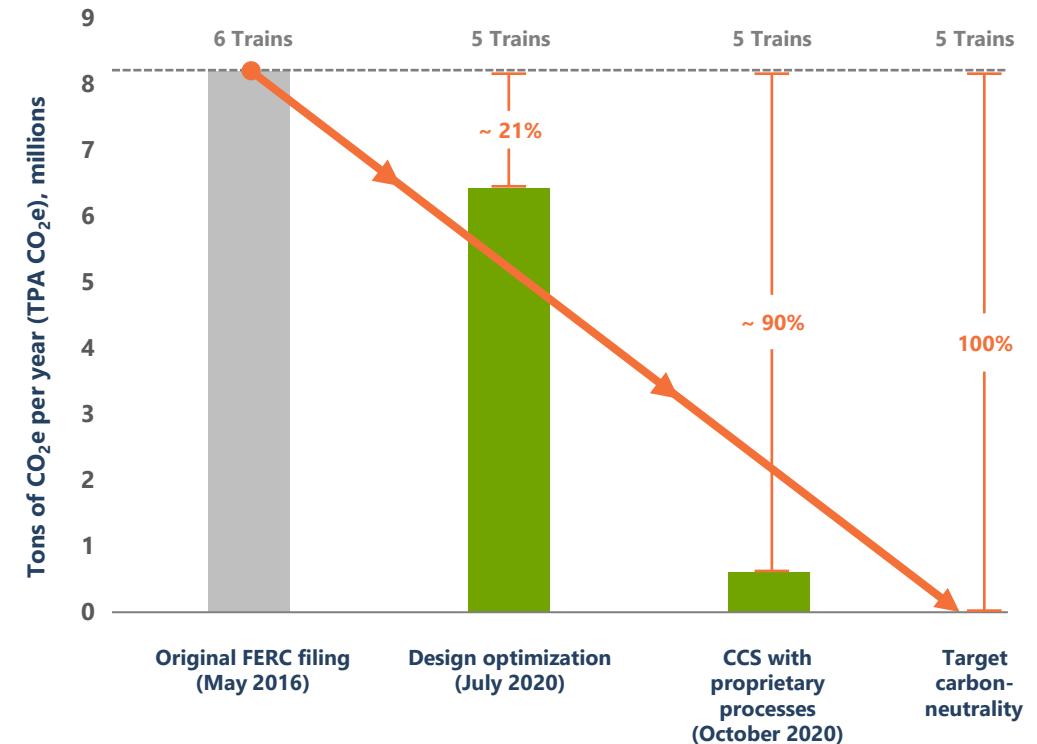


# Targeting carbon-neutrality at Rio Grande LNG

**In October 2020, NextDecade announced it is targeting carbon-neutrality at Rio Grande LNG**

- NextDecade has evaluated technical solutions to ascertain the commercial viability of dramatically reducing CO<sub>2</sub>e emissions
- NextDecade has determined that proven carbon capture and storage (CCS) technology is the most feasible solution
- Proven CCS technology in conjunction with NextDecade's proprietary processes could reduce the CO<sub>2</sub>e emissions of Rio Grande LNG by approximately 90 percent
- While advancing work in this area, NextDecade is also exploring options to address remaining CO<sub>2</sub>e emissions and achieve carbon-neutrality at Rio Grande LNG

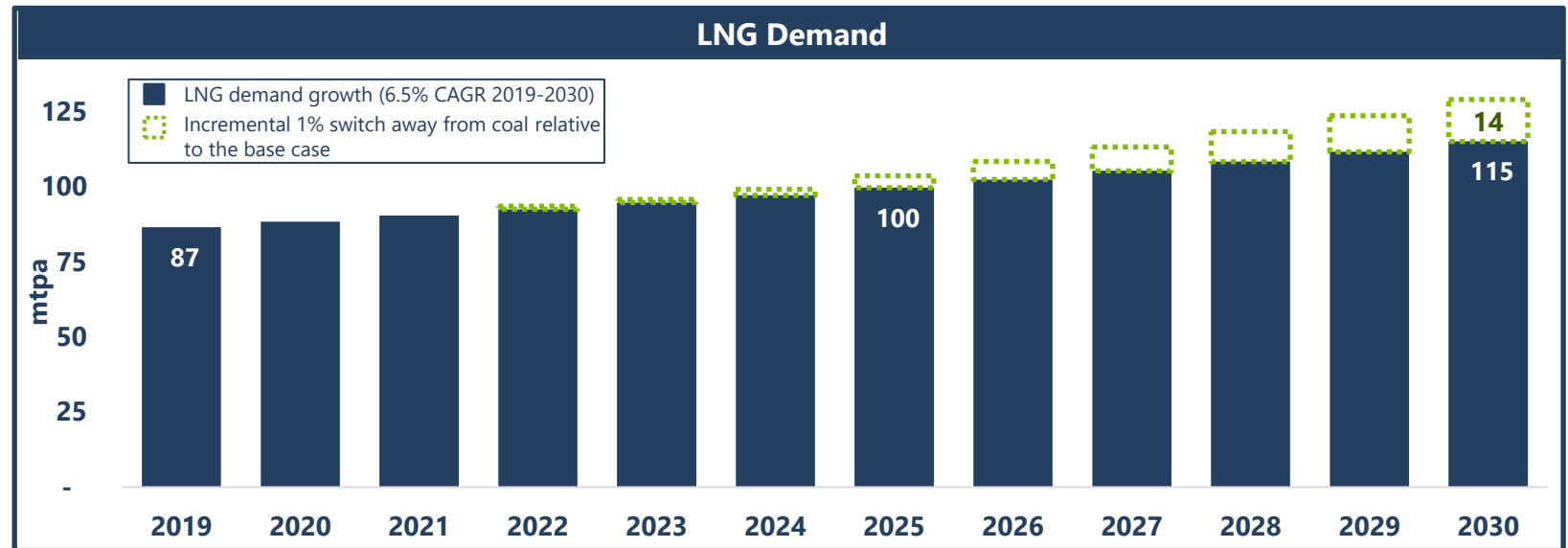
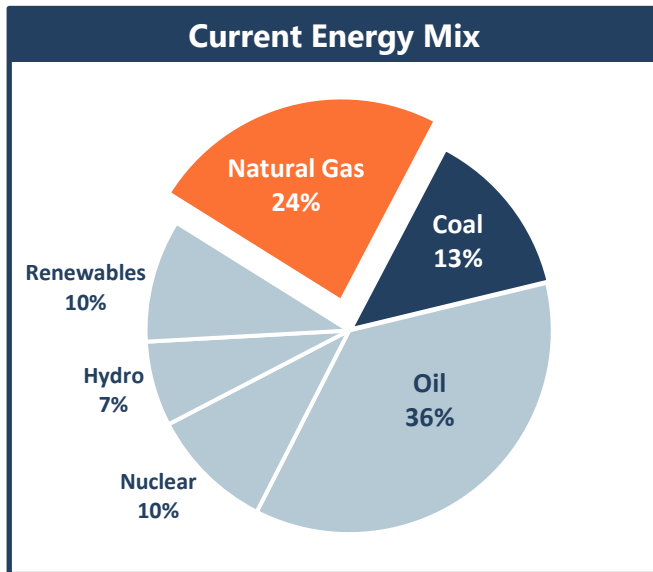
**Rio Grande LNG (27 mtpa) CO<sub>2</sub>e emissions reduction<sup>1</sup>**



<sup>1</sup> The original FERC filing for Rio Grande LNG (May 2016) was for a 6-train facility capable of producing 27 mtpa of LNG for export. In July 2020, NextDecade announced a series of optimizations that result in an LNG project capable of producing 27 mtpa with five LNG trains. Emissions profiles are presented on the basis of a 5-train, 27 mtpa Rio Grande LNG facility, and are presented for comparison with the originally filed 6-train project. Any emissions reductions associated with NextDecade's October 6, 2020 announcement will be subject to applicable federal and state regulations.

# Europe: writing the energy transition playbook

Europe's energy transition is indeed well-underway, with further growth expected to support climate goals



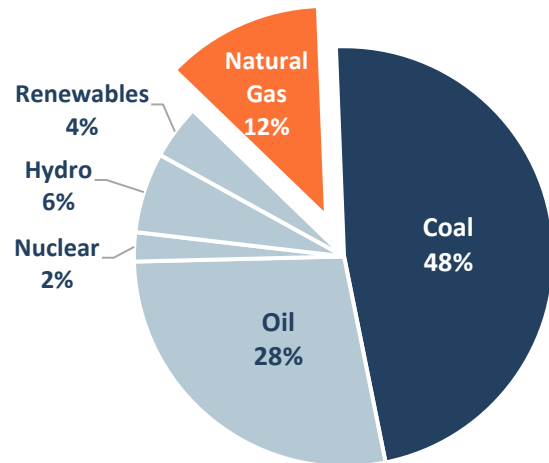
- LNG demand ultimately sustained in most European markets despite COVID-19 impact on continental energy demand
- Europe has made significant commitments to a low-carbon future, including advanced transition from coal-fired power
- LNG demand to be stimulated by structural energy consumption growth and diversification from pipeline gas (e.g. Russia)
- Every further 1% reduction of coal in Europe's energy mix could equate to 14 million tonnes of incremental LNG demand by 2030



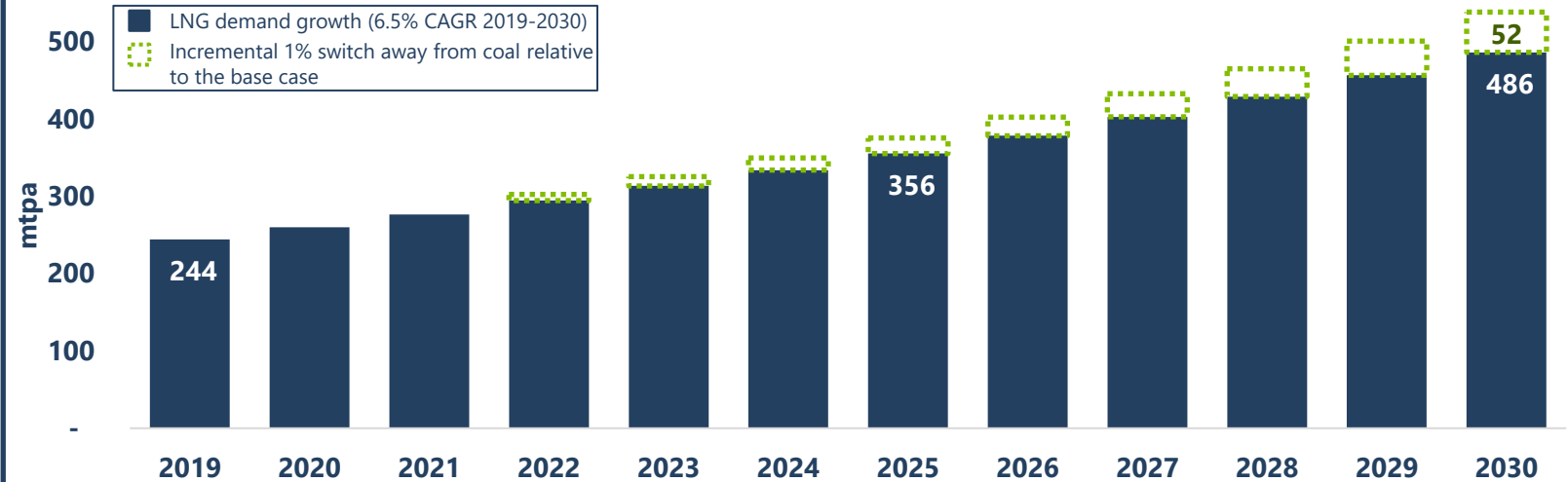
# Asia: big market with even bigger growth potential

Asia is home to the world's largest LNG markets, and is poised for significant growth in the coming years

Current Energy Mix



LNG Demand



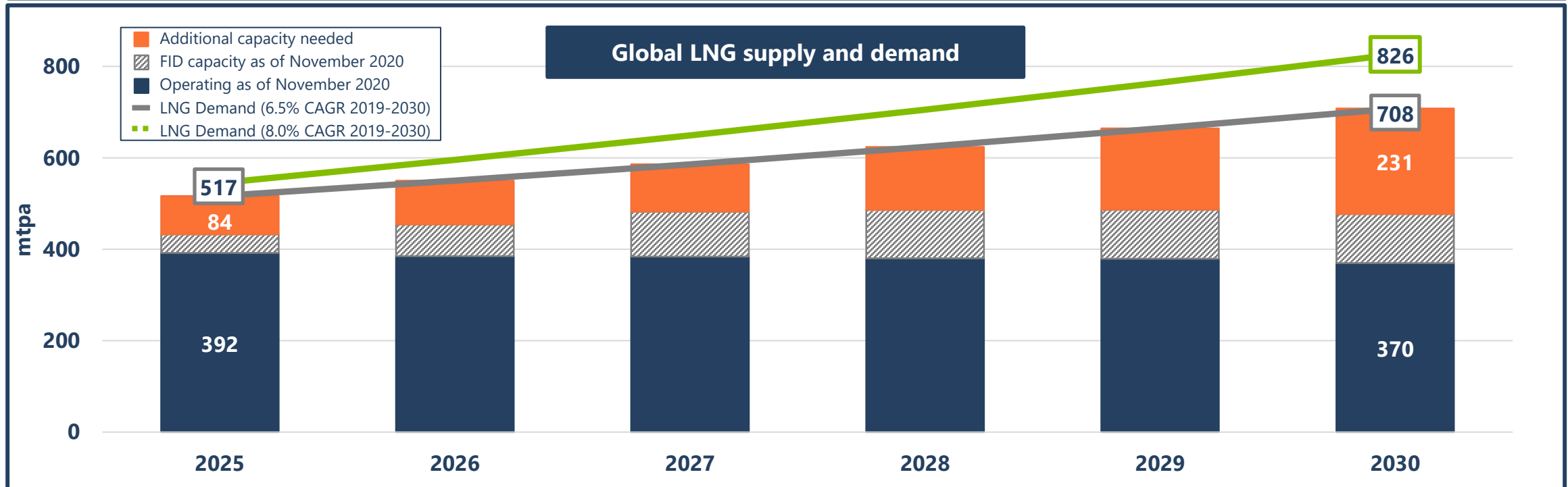
- LNG demand proved resilient to the economic stagnation caused by the onset of COVID-19
- Growth prospects are driven by economic and primary energy demand growth and supported by political emphasis on coal-to-gas switching, reducing greenhouse gas emissions
- Projected LNG demand growth of 242 mtpa from 2019 to 2030, led by China, India, and Thailand
- With coal still comprising half of Asia's energy mix, every further 1% reduction could equate to 52 mtpa of incremental LNG demand by 2030



# Global LNG market needs more FIDs

**Global LNG demand is expected to exceed available supply by at least 84 mtpa by 2025**

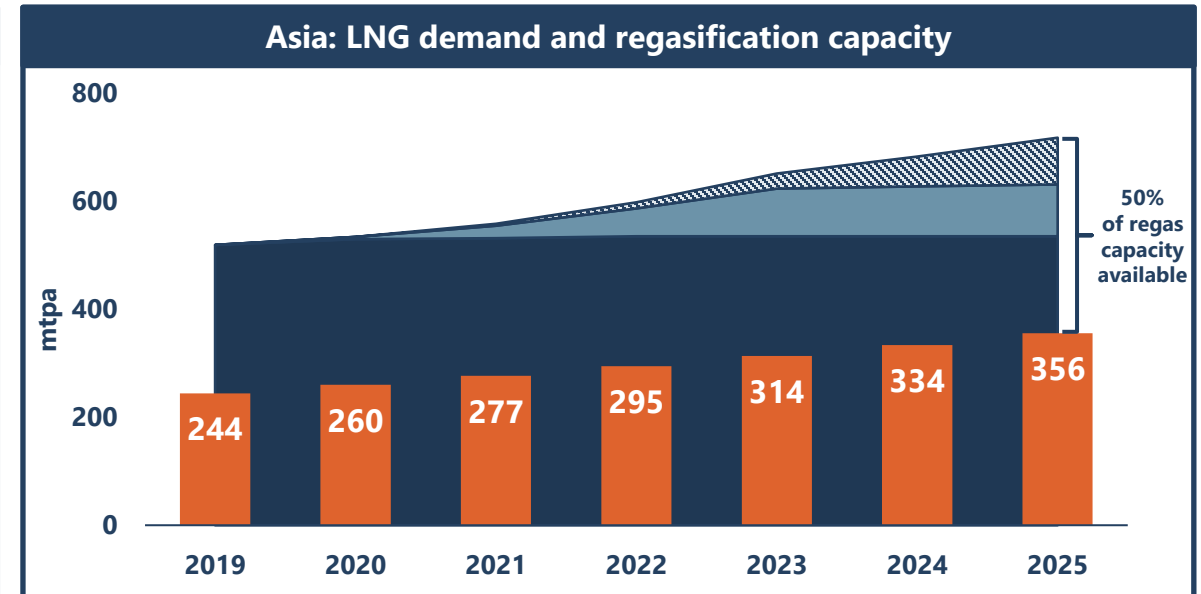
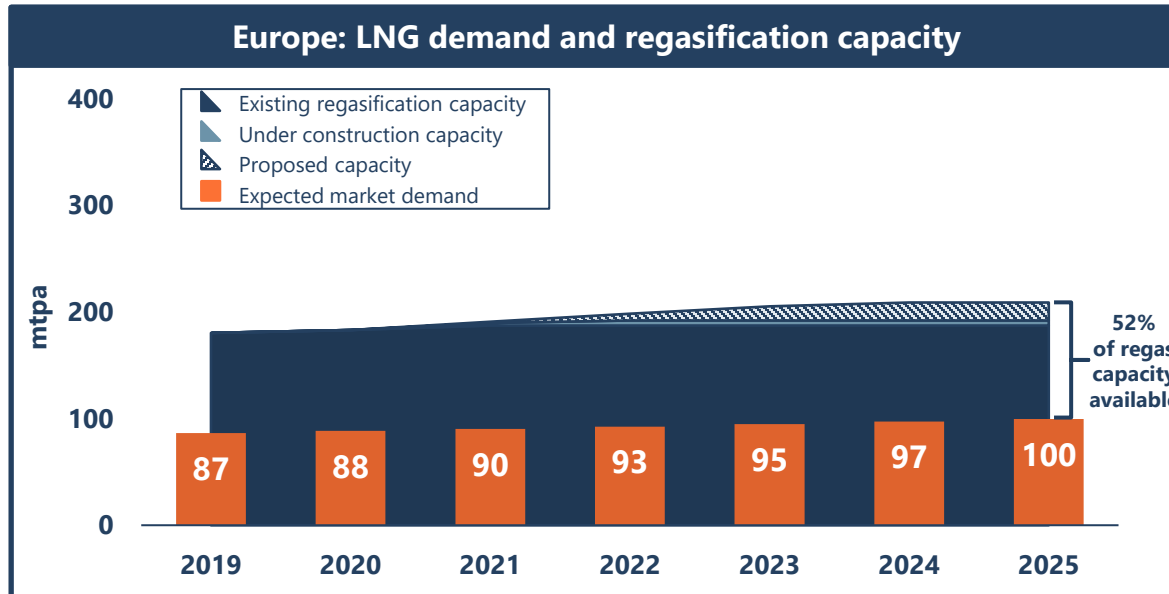
- From 2000 to 2019, the LNG market grew by an annual average of 6.7 percent, and is still growing despite COVID-19
- Continued growth at comparable levels would result in global LNG demand exceeding 700 mtpa by 2030
- A less than 2.0 percent further increase in coal-to-gas switching in Europe and Asia, captured by LNG and driven by prioritization of carbon reduction, could result in global LNG demand growing by an annual average of 8.0 percent or more





# Regas not a bottleneck: if you build it, they will come

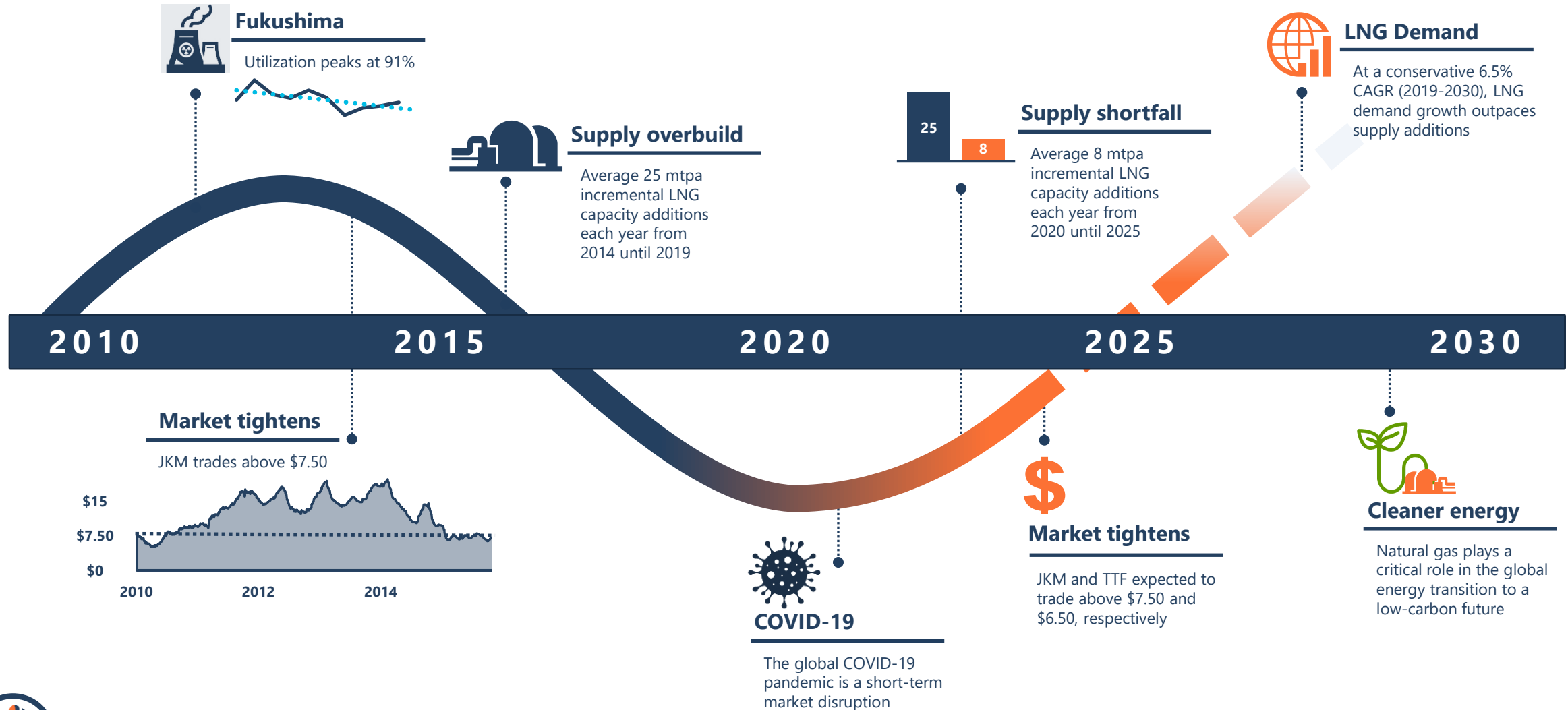
## Ample regas capacity will enable demand growth in European and Asian markets



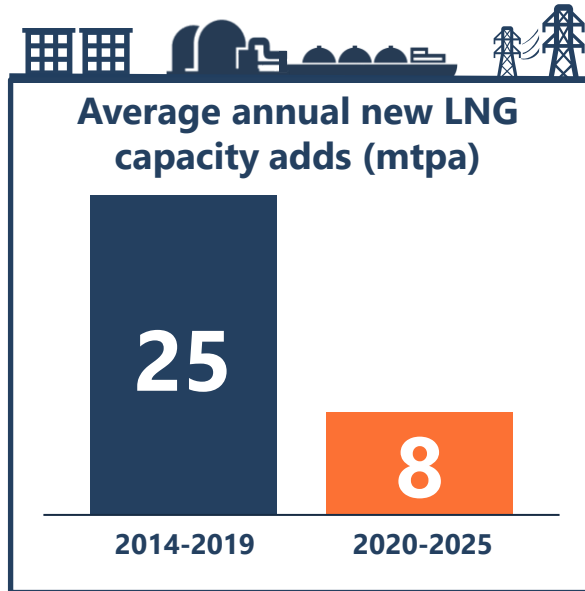
- Asian and European markets are actively investing in regasification capacity to support continued growth of LNG imports
- China alone is expected to add 85 mtpa of regasification capacity, more than doubling its current capacity of 73 mtpa
- India has plans to add nearly 30 mtpa, 20 mtpa of which is already under construction
- Thailand has plans to more than double its current regasification capacity to 31 mtpa from 12 mtpa



# Up ahead: tighter market, higher prices, cleaner energy



# By the numbers



**84+** mtpa of additional capacity needed to achieve FID to offset expected 2025 global LNG shortfall

**10** months since the global LNG market's last FID

More FIDs needed to offset supply shortfall

**6.5**  
percent CAGR in global LNG demand from 2019 to 2030



**8.0**  
percent CAGR in global LNG demand 2019 to 2030 if more coal-to-gas switching than anticipated

**42**  
countries importing LNG around the world



By 2030, every 1% shift away from coal in Asian energy markets could equate to 52 mtpa of LNG



## Rio Grande LNG offers multiple pricing indexes

Since 2012, **JKM** monthly forwards have traded above **\$7.50** more than **50%** of the time

Since 2012, **TTF** monthly forwards have traded above **\$6.50** more than **50%** of the time

