

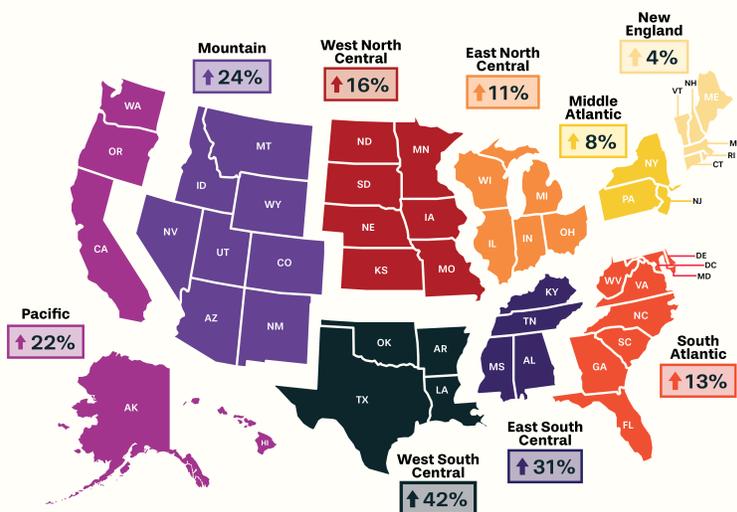
LNG Exports Cause Domestic Energy Insecurity

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The U.S. Department of Energy (DOE) is tasked by Congress to only permit exports of natural gas which are “not inconsistent with the public interest.”¹ The dramatic flood of Liquefied Natural Gas (LNG) exports authorized by DOE in recent years is upending domestic energy markets, directly contributing to punishingly high energy prices for Americans, thereby exacerbating energy poverty and income inequality for the most vulnerable in our communities.²

Projected Percent Increase in the Price of Natural Gas for Electric Power Driven by LNG Exports, by U.S. Region

If the U.S. continues the rapid buildout of LNG export facilities, continued long-term LNG exports could significantly increase the price of natural gas delivered to electric utilities, resulting in increased costs for U.S. consumers.



Source: U.S. Energy Information Administration, Annual Energy Outlook 2023

While oil markets—and domestic gasoline prices—have long been directly influenced by global calamities, natural gas had been insulated from upheaval beyond our shores because until 2016 we lacked LNG export capacity. But now, for the first time in U.S. history, LNG exports tether American consumers to global disruptions and market swings, radically upending domestic energy markets and forcing American families to compete with Berlin and Beijing for U.S. produced energy. In other words, natural gas exports are directly responsible for Americans paying higher prices to heat and cool their homes.

Unprecedented export volumes are now binding American household energy bills to global natural gas markets and, in turn, locking in price volatility, resulting in a domestic energy pricing crisis. The U.S. Energy Information Administration released an analysis on May 23, 2023, concluding that increased LNG exports directly result in higher energy prices for American consumers: “higher LNG exports create a tighter domestic natural gas market (all else held equal), increasing domestic natural gas prices”.³ Utilizing the data in this EIA report, Public Citizen calculates that domestic consumers will face \$14.3 billion in

¹ 15 USC § 717b(a).

² www.citizen.org/news/as-winter-approaches-fossil-fuel-exports-drive-up-consumer-prices/

³ *Effects of Liquefied Natural Gas Exports on the U.S. Natural Gas Market*, at page 7, www.eia.gov/outlooks/aeo/IIF_LNG/

higher annual natural gas costs in 2050 as a result of LNG exports⁴. Indeed, the head of global natural gas research at Goldman Sachs was forced to conclude: “The U.S. exports LNG and exports energy security to the rest of the world, but imports volatility.”⁵

The Federal Energy Regulatory Commission’s 2022-23 *Winter Energy Market and Reliability Assessment* further concludes that “continued growth in net exports, including from liquified natural gas (LNG) export facilities, will place additional pressure on natural gas prices this winter . . . Traditionally, domestic fundamentals drive U.S. natural gas prices; this winter, international markets will likely also affect U.S. natural gas markets and prices . . . the expansion of LNG export capability has integrated formerly disparate North American regional natural gas markets into the global market.”⁶

We have seen firsthand how our newfound dependence on global gas markets impacts domestic energy prices. Natural gas futures in the United States fell 25% after the June 8, 2022, explosion took the Freeport LNG export terminal out of commission, as traders understood that reduced natural gas exports would result in increased supply for American consumers.⁷

The United States is far and away the world’s largest natural gas producer, accounting for 25% of global production every day—producing as much as the next two biggest (Russia and Iran) combined.⁸ U.S. natural gas production reached an all-time high in 2022, and at the same time, natural gas exports have exploded.⁹ Exports via pipeline to Mexico and Canada, combined with LNG exports by ship account for 20% of domestic gas production—up from 6% in 2015, establishing the United States as the world’s largest LNG exporter.¹⁰

These record exports have come with a tragic cost: American households, power producers, and other consumers are now forced to compete with their counterparts in Berlin and Beijing, globalizing domestic benchmark prices and exposing Americans to higher prices and increased volatility.¹¹ Spot benchmark natural gas prices on the west and east coast United States in December 2022 were more expensive than in Ukraine.¹² U.S. natural gas price volatility is at the highest levels since the 1990s.¹³ Of course, extreme price volatility means that prices whipsaw up

⁴ Using price differential between High LNG Case and Fast Builds Plus High LNG Price in 2050, and applying that to domestic demand (leaving out exports and pipeline fuel).

⁵ Lily Jamali, *Marketplace*, July 11, 2023, www.marketplace.org/2023/07/11/buffetts-berkshire-hathaway-ramps-up-investment-in-liquefied-natural-gas/

⁶ <https://ferc.gov/media/report-2022-2023-winter-assessment>

⁷ Ryan Dezember, “Natural-Gas Prices Plunge After Extended Outage at Texas LNG Facility”, June 14, 2022, www.wsj.com/articles/natural-gas-prices-plunge-after-extended-outage-at-texas-lng-facility-11655235895

⁸ www.eia.gov/international/data/world/natural-gas/dry-natural-gas-production

⁹ *Global liquefied natural gas trade volumes set a new record in 2022*, July 5, 2023, www.eia.gov/todayinenergy/detail.php?id=57000

¹⁰ www.eia.gov/todayinenergy/detail.php?id=53159

¹¹ “Surging US LNG exports hike domestic gas prices amid global supply crunch,” www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/surging-us-lng-exports-hike-domestic-gas-prices-amid-global-supply-crunch-67508815

¹² See www.eia.gov/todayinenergy/detail.php?id=55279 and www.naturalgasintel.com/haynesville-output-to-top-16-bcf-d-as-total-lower-48-production-continues-to-climb/

¹³ David Uberti and Ryan Dezember, “Why Gas Bills Are Going Crazy—With No End in Sight,” March 15, 2023, www.wsj.com/articles/natural-gas-prices-energy-bills-ea3ea9da

and down; while prices may be low at one given moment in time, increased LNG exports promise higher prices in the medium- and long-term.

The Administration continues to rely on outdated, inadequate methodologies for determining whether LNG exports are in the public interest. The unprecedented increases in both LNG exports and domestic prices have overwhelmed DOE’s methodological assumptions used to determine whether exports’ net economic impacts satisfy the public interest. Relying in part upon a macroeconomic study from the Trump Administration, DOE assumes, in part, that families’ investments in natural gas producers and exporters generates household income in excess of what is paid in energy bills.¹⁴ In reality, however, DOE’s hypotheses inaccurately measure the harmful consequences that exports are having on energy security for millions of American families.

The 2018 Trump Administration study is not only contradicted by EIA’s 2023 report, but also by recent data. As of 2023, the United States is the world’s largest natural gas producer *and* exporter. Sixty percent of our domestically produced petroleum is now exported,¹⁵ and 20% of our natural gas is now allocated for export.¹⁶ These numbers will only increase as domestic demand continues to flatten and export infrastructure capacity expands.

American families and businesses are paying the price for skyrocketing LNG exports. *USA Today* reports that record LNG exports are directly contributing to punishing high energy bills for American families.¹⁷ The *Wall Street Journal* reports “that natural-gas exports are pushing domestic prices higher . . . The pinch shows a growing tension between exporters and buyers who have enjoyed cheap gas for more than a decade. Some manufacturing and chemical companies have built entire businesses around low U.S. gas prices . . . Utilities from the Pacific Northwest to New England have filed regulatory requests to raise rates for natural gas this winter, citing a supply squeeze as a result of higher global demand . . . the U.S. is exporting a larger share of its natural gas than it ever has and shale producers aren’t quickly ramping up in response to high prices . . . some of the biggest natural-gas producers have vowed to keep investments in production growth low.”¹⁸

These high prices are creating significant economic hardship for tens of millions of American families. Twenty-six percent of respondents to a U.S. Census Bureau survey taken in the summer of 2022 said they had forgone necessities like food or medicine to pay their energy bills sometime during the preceding year.¹⁹ Rising energy costs— anchored by higher natural gas prices stemming in part from record LNG exports—are the biggest factor driving inflation in the U.S.²⁰

¹⁴ At page 67, www.energy.gov/sites/prod/files/2018/06/f52/Macroeconomic%20LNG%20Export%20Study%202018.pdf

¹⁵ <https://twitter.com/TysonSlocum/status/1617998886660112384>

¹⁶ www.citizen.org/article/letter-to-dept-of-energy-to-protect-consumers-from-lng-exports/

¹⁷ Medora Lee, “Electricity bills may continue to shock you even as overall inflation eases”, January 24, 2023, www.usatoday.com/story/money/personalfinance/2023/01/24/electricity-prices-inflation/11089430002/

¹⁸ Collin Eaton and Katherine Blunt, “Natural-Gas Exports Lift Prices for U.S. Utilities Ahead of Winter,” November 7, 2021, www.wsj.com/articles/natural-gas-exports-lift-prices-for-u-s-utilities-ahead-of-winter-11636281000

¹⁹ www.census.gov/data/tables/2022/demo/hhp/hhp48.html

²⁰ www.bls.gov/cpi/

Moreover, recent domestic supply shortages were triggered in part by surging LNG exports. During Winter Storm Uri, Texas faced severe natural gas supply scarcities that resulted in the Governor issuing an emergency Disaster Declaration, requesting a halt to LNG exports from the state's largest LNG exporter.²¹

Events like these – coupled with the everyday hardships American families are facing – underscore how DOE's current procedures to evaluate whether exports are "consistent with the public interest" are inadequate, and Congress must instruct the agency to conform to the statutory protections of the Natural Gas Act.

²¹ www2.tceq.texas.gov/oce/eer/index.cfm?fuseaction=main.getDetails&target=350574