

United States Senate

WASHINGTON, DC 20510

July 23, 2024

The Honorable Jennifer M. Granholm
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Granholm,

As the Department of Energy (DOE) updates its underlying environmental and economic analyses to improve export authorization decisions for liquefied fossil gas—often called liquefied natural gas (LNG)—we strongly encourage you to consider the disproportionate negative impacts of LNG exports on the Northeast. In addition to the detrimental climate, economic, and environmental justice effects that LNG exports have on all U.S. communities, New England residents face extremely high energy costs tied to dependence on piped fossil gas and other market factors. Although a Louisiana federal district court recently enjoined the Biden administration’s pause on certain new LNG export authorization approvals, this erroneous ruling does not force any immediate export project approvals or impact the factors that the DOE considers in its approval process.¹ As DOE continues to update its analyses and seek public input to modernize its LNG export project approval process, we urge you to develop and apply a robust set of public-interest-based criteria that consider all these impacts—climate goals, environmental justice, and short- and long-term consumer prices—as well as the importance of hastening our clean energy transition.

Under the *Natural Gas Act*, when reviewing applications for exports to countries with which we do not have free trade agreements, the DOE has a responsibility to make LNG export determinations that protect the U.S. public interest.² Yet the DOE has never denied a LNG export application, and there is already 14.23 billion cubic feet per day (bcf/d) of operating U.S. LNG export capacity, 16.93 bcf/d under construction, and 12.28 bcf/d approved but not yet under construction.³ Current DOE public interest determination methods have relied in part on Trump-era reports that do not fully or accurately consider increased consumer costs or alignment with local, state, national, or global climate and energy goals.⁴ Under the Biden administration’s LNG

¹ Maxine Joslow, *Federal court blocks Biden’s pause on approving gas export projects*, Wash. Post (July 1, 2024), <https://www.washingtonpost.com/climate-environment/2024/07/01/liquefied-natural-gas-exports-court-ruling/>.

² 15 U.S.C. § 717(a); 15 U.S.C § 717(b)

³ *U.S. LNG Export Terminals – Existing, Approved not Yet Built, and Proposed*, FERC (June 25, 2024), <https://cms.ferc.gov/media/us-lng-export-terminals-existing-approved-not-yet-built-and-proposed>.

⁴ Morgan Johnson & Jasmine Jennings, *DOE Puts People First: LNG Exports Paused Pending Review*, Natural Resources Defense Council (Jan. 31, 2024), <https://www.nrdc.org/bio/morgan-johnson/doe-puts-people-first-lng-exports-paused-pending-review>; Kevin Book et al., *U.S. LNG Exports: DOE and FERC Roles and Boundaries*, Center for Strategic International Studies (Mar. 15, 2024), <https://www.csis.org/analysis/us-lng-exports-doe-and->

export license pause—which affects 7.26 bcf/d of pending and 3.5 bcf/d of pre-filing export U.S. LNG export capacity—the DOE has a prime opportunity to develop a better process. This process must recognize the true economic impact of increased LNG export activity on households, businesses, and industry—particularly those that are low-income or have disproportionately high energy burdens—as well as the alignment of new exports with State climate and clean energy goals. With our allies well-supplied by existing exports, we agree that now is the time to step back and examine the long-term impacts that additional U.S. LNG exports will have on American consumers, industries, and the environment.

LNG Exports Hurt Consumers' Bottom Line

Since 2016, there has been a rapid rise in U.S. LNG exports, and in 2023, the United States became the world's largest exporter of LNG.⁵ Increasing U.S. LNG exports left U.S. fossil gas markets in short supply, which raised piped fossil gas prices and cost U.S. consumers \$111 billion from September 2021 to December 2022.⁶ These exports also raised electricity prices nationwide during this time period due to the mutual dependence of power and fossil gas systems.⁷ If currently pending LNG export projects are approved and completed, fossil gas prices are projected to increase by 9 to 14 percent.⁸ In addition, LNG exports inextricably link U.S. ratepayers to the volatile global market and place U.S. households and businesses in direct competition with global consumers.⁹

New England is highly dependent on piped fossil gas imported from other regions in the United States.¹⁰ When U.S. LNG export market levels dramatically rose in 2021, U.S. fossil gas markets were left in short supply and prices rose throughout most of the country, impacting New England with higher fossil gas and electric prices and dramatic price swings.¹¹ Market volatility

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⁵ Victoria Zaretskaya, *The United States was the world's largest liquefied natural gas exporter in 2023*, Energy Information Administration (Apr. 1, 2024), <https://www.eia.gov/todayinenergy/detail.php?id=61683>.

⁶ Clark Williams Derry, *Gas exports cost U.S. consumers more than \$100 billion over 16-month period*, Institute for Energy Economics and Financial Analysis (Jan. 29, 2024), <https://ieefa.org/resources/gas-exports-cost-us-consumers-more-100-billion-over-16-month-period>.

⁷ Julian Spector, *One big downside of LNG exports: Price swings for US gas consumers*, Canary Media (Mar. 6, 2024), <https://www.canarymedia.com/articles/liquefied-natural-gas/one-big-downside-of-lng-exports-price-swings-for-us-gas-consumers>.

⁸ Rachel Goldstein et al., *Completing Pending LNG Export Projects Could Raise Natural Gas Prices for Americans by 9 to 14 Percent*, Energy Innovation (Feb. 2024), https://energyinnovation.org/wp-content/uploads/2024/02/Consumer-Cost-Impact-Of-Completing-Pending-LNG-Export-Projects_2.2.24-1.pdf.

⁹ Pippa Stevens, *Natural gas plummets as Freeport delays facility restart following explosion*, CNBC (June 14, 2022), <https://www.cnbc.com/2022/06/14/natural-gas-plummets-as-freeport-delays-facility-restart-following-explosion.html>.

¹⁰ New England Dashboard, Energy Information Administration (June 17, 2024), <https://www.eia.gov/dashboard/newengland/naturalgas>.

¹¹ Katherine Blunt & Benoît Morenne, *New England Risks Winter Blackouts as Gas Supplies Tighten*, The Wall Street Journal (Oct. 7, 2022), <https://www.wsj.com/articles/new-england-risks-winter-blackouts-as-gas-supplies->

will only worsen as overproduction creates a global LNG supply glut, a trend already underway with wealthy countries reselling LNG supplies to emerging markets in response to declining demand.¹² The re-importation of LNG exports to the New England market is unlikely to counter these shortages and price spikes; while there are terminals in New England that are capable of receiving imported or reimported LNG, New England’s grid operator has stated that the global, long-term, and weather-dependent nature of LNG import contracts “can impede generators’ access to LNG when it’s most needed.”¹³

Many groups, including manufacturers, utilities, and industry, have expressed concern about the increased cost burden for American consumers driven by rising LNG exports.¹⁴ Government agencies have found those fears are justified; the Federal Energy Regulatory Commission warns that “continued growth in net exports, including from liquefied natural gas (LNG) export facilities, will place additional pressure on natural gas prices.”¹⁵ The Energy Information Administration (EIA) echoed this warning in May 2023, explaining that “higher LNG exports results in upward pressure on U.S. natural gas prices.”¹⁶ Even when global wholesale fossil gas prices went down in 2023, U.S. consumers continued to front higher costs for fossil gas purchased by utilities during price spikes.¹⁷ Moreover, most U.S.-exported LNG is held by portfolio traders who resell LNG and turn considerable profits. Some net as much as \$200 million per LNG shipment, lining the pockets of those who exploit and exacerbate LNG market volatility at the expense of vulnerable consumers.¹⁸

Rising costs associated with LNG exports disproportionately burden the most vulnerable populations, yet current analysis does not consider the differential impacts that exports have on Americans at different income levels.¹⁹ In New England, this dynamic is intensified. Low-

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¹² Shafiqul Alam et al., *Global LNG Outlook 2024-2028*, Institute for Energy Economics and Financial Analysis (Apr. 2024), <https://ieefa.org/resources/global-lng-outlook-2024-2028>.

¹³ Natural Gas Infrastructure Constraints: Will Imported Liquefied Natural Gas (LNG) Fill the Gap, ISO New England, <https://www.iso-ne.com/about/what-we-do/in-depth/natural-gas-infrastructure-constraints> (last accessed June 26, 2024).

¹⁴ Clark Williams-Derry, *IEEFA U.S.: Booming U.S. Natural Gas Exports Fuel High Prices*, Institute for Energy Economics and Financial Analysis (Nov. 4, 2021), <https://ieefa.org/resources/ieefa-us-booming-us-natural-gas-exports-fuel-high-prices>.

¹⁵ *2022-2023 Winter Reliability Assessment*, Federal Energy Regulatory Commission (Oct. 20, 2022), <https://www.ferc.gov/media/report-2022-2023-winter-assessment>.

¹⁶ *Effects of Liquefied Natural Gas Exports on the U.S. Natural Gas Market*, U.S. Energy Information Administration (May 2023), https://www.eia.gov/outlooks/aeo/IIF_LNG/pdf/LNG_Issue_in_Focus.pdf.

¹⁷ Clark Williams-Derry, *LNG Exports Have Raised Natural Gas Prices for U.S. Households*, Institute for Energy Economics and Financial Analysis (Nov. 30, 2023), <https://ieefa.org/resources/lng-exports-have-raised-natural-gas-prices-us-households>.

¹⁸ Harry Robertson, *Energy Traders Are Making a Killing Exporting US Natural Gas to Europe As Prices Soar*, Markets Insider (Aug. 13, 2022), <https://markets.businessinsider.com/news/commodities/us-natural-gas-exports-europe-surge-energy-crisis-trader-profits-2022-8>.

¹⁹ Docket No. 24–27–LNG, Motion to Intervene and Protest of Public Citizen, Inc (June 18, 2024), <https://www.citizen.org/wp-content/uploads/SabinePass.pdf>.

income households in the region spend an average of 11 percent of their income on energy, with some areas reaching 31 percent, compared to the average of 6 percent for low-income households nationwide.²⁰ Additionally, according to the EIA, New England households spent an average of \$868 on fossil gas annually compared to \$630 nationwide, and in the fourth quarter of 2023, New England residents paid 31 percent above the U.S. average for fossil gas.²¹ High dependence on fossil gas heating, coupled with high outlays by consumers, make New England consumers particularly sensitive to price volatility and price spikes caused by LNG exports.²²

LNG Exports Thwart State Climate and Justice Goals

New England states have ambitious clean energy and emissions reductions goals, and have already made significant progress on these plans.²³ As of January 2024, 99 percent of proposed resource projects in the region are grid-scale renewables, and the economic case for renewables will continue to grow with time.²⁴ The New England regional grid operator recently found these renewable energy and efficiency improvements have already brought significant stability to the grid; other analyses concur.²⁵ And states across the region are transitioning away from fossil gas: Massachusetts' Gas Transition Plan requires utilities to consider non-fossil gas renewable alternatives; Connecticut is phasing out incentives for new fossil gas infrastructure; Rhode Island is encouraging residents to replace fossil gas-powered heating with heat pumps; and Vermont is requiring the decarbonization of residential and commercial heating.²⁶

²⁰ *Low-Income Energy Affordability Data (LEAD) Tool and Community Energy Solutions*, Dep't of Energy, <https://www.energy.gov/scep/low-income-energy-affordability-data-lead-tool-and-community-energy-solutions>.

²¹ Residential Energy Consumption Survey (RECS) Dashboard, <https://experience.arcgis.com/experience/cbf6875974554a74823232f84f563253>.

²² *Resource Mix*, ISO-NE, <https://www.iso-ne.com/about/key-stats/resource-mix/>; *What is U.S. electricity generation by energy source?*, U.S. Energy Information Administration (last updated Feb. 29, 2024), <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>; Qiwei Zhang et al., *Implications of Electricity and Gas Price Coupling in U.S. New England Region*, iScience (Dec. 13, 2023), <https://www.sciencedirect.com/science/article/pii/S2589004223028031>.

²³ *New England Power Grid State Profiles 2023-2024*, ISO-NE, <https://www.iso-ne.com/static-assets/documents/100010/new-england-power-grid-state-profiles.pdf>.

²⁴ *Resource Mix*, ISO-NE (2024), <https://www.iso-ne.com/about/key-stats/resource-mix/>; *LCOE, Lazard*, (Apr. 2023), <https://lazard.com/media/nltb551p/lazards-lcoeplus-april-2023.pdf>.

²⁵ Bruce Mohl, *Grid operator dials back electricity concerns*, Commonwealth Beacon (June 20, 2023), <https://commonwealthbeacon.org/energy/grid-operator-dials-back-electricity-concerns/>; Vamsi Chadalavada & Stephen George, *Extreme Weather Risks to ISO-NE, Presentation of the EPRI Study*, ISO New England (June 20, 2023), https://www.iso-ne.com/static-assets/documents/2023/06/ad22-9_winter_gas_electric_forum_extreme_weather.pdf;

Melissa Birchard & Casey Roberts, *New England's Winter Electricity Challenges Call for a Clean Energy Solution*, Sierra Club et al., https://www.sierraclub.org/sites/default/files/2563%20NE%20Winter%20Reliability%20WP%2003_web.pdf.

²⁶ Press Release, Dep't of Public Utilities Issues Order 20-80, Dep't of Public Utilities (Dec. 6, 2023), <https://www.mass.gov/news/department-of-public-utilities-issues-order-20-80>; Press Release, *DEEP Launches Updated Statewide Energy Efficiency Plan Focused on Decarbonization, Equity, and Affordability*, Dep't of Energy and Env'tl Protection (July 7, 2022), <https://portal.ct.gov/deep/news-releases/news-releases---2022/deep-launches-updated-energy-plan-focused-on-decarbonization-equity-and-affordability>; Amanda Barker & Carrie Katan, *The Future of Gas in Massachusetts & Rhode Island*, Green Energy Consumers (Dec. 21, 2023), <https://blog.greenenergyconsumers.org/blog/the-future-of-gas-in-massachusetts-rhode-island/>; Tom DiChristopher,

By contrast, dollars sunk into expanding LNG infrastructure will deepen the nation's investment in fossil gas at the expense of safer, more reliable, and cleaner renewable alternatives.²⁷ The Biden administration has already made a commitment to achieve the full decarbonization of the power sector by 2035, and is set to update its commitments under the Paris Agreement at COP29 in November.²⁸ If the United States wants to meet its domestic climate goals and be a strong international leader, a robust public interest test must consider the inconsistencies of building out additional LNG infrastructure while States prioritize clean energy.

New approvals of LNG export infrastructure also conflicts with Administration policies and priorities that center environmental justice and respond to environmental health inequities.²⁹ The majority of New England states have recognized the significance of addressing historical burden in clean energy and climate policy, passing laws and implementing strategies to embed environmental justice as a priority.³⁰ The public interest test must seriously weigh the burdens

Gas Ban Monitor: Md. counties go all-electric; Vt. gas restrictions expand, S&P Global (Nov. 7, 2023), <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/gas-ban-monitor-md-counties-go-all-electric-vt-gas-restrictions-expand-78193078>; Miriam Israel & Jo Field, *New England State Climate Action Assessment*, Union of Concerned Scientists (Aug. 2022), <https://www.ucsusa.org/resources/new-england-state-climate-action-assessment>.

²⁷ Paul Arbaje & Mark Specht, *Gas Malfunction: Calling into Question the Reliability of Gas Power Plants*, Union of Concerned Scientists (Jan. 9, 2024) <https://www.ucsusa.org/resources/gas-malfunction>; 2022 State of Reliability Report, North American Electric Reliability Corporation (July 2022), https://www.nerc.com/pa/RAPA/PA/Performance%20Analysis%20DL/NERC_SOR_2022.pdf; Angel Adegbesan, *Solar Is Now 33% Cheaper Than Gas Power in US, Guggenheim Says*, Bloomberg (Oct. 3, 2022), <https://www.bloomberg.com/news/articles/2022-10-03/solar-is-now-33-cheaper-than-gas-power-in-us-guggenheim-says?embedded-checkout=true>; Rachel Chang, *Renewable Energy Is the Key to Building a More Resilient and Reliable Electricity Grid*, Center for American Progress (Nov. 7, 2023), <https://www.americanprogress.org/article/renewable-energy-is-the-key-to-building-a-more-resilient-and-reliable-electricity-grid/>; *Health and Safety Benefits of Clean Energy*, U.S. Dep't of Energy, Office of Energy Efficiency & Renewable Energy, <https://www.energy.gov/eere/health-and-safety-benefits-clean-energy>.

²⁸ John Muyskens & Juliet Eilperin, *Biden Calls For 100 Percent Clean Electricity by 2035. Here's How Far We Have To Go*, Wash. Post (July 30, 2020), <https://www.washingtonpost.com/climate-environment/2020/07/30/biden-calls-100-percent-clean-electricity-by-2035-heres-how-far-we-have-go/>; *Financing Our Future; Unleashing Climate Action*, WWF, https://wwf.panda.org/wwf_news/?11400466/WWFFinancing-our-future-unleashing-climate-action-Bonn-SB60.

²⁹ *Justice40 Initiative*, U.S. Dep't of Energy, Office of Energy Justice and Equity, <https://www.energy.gov/justice/justice40-initiative>; Morgan Johnson, *DOE Puts People First: LNG Exports Paused Pending Review*, Natural Resources Defense Council (Jan. 31, 2024), <https://www.nrdc.org/bio/morgan-johnson/doe-puts-people-first-lng-exports-paused-pending-review>.

³⁰ *Office of Environmental Justice & Equity*, State of Massachusetts, <https://www.mass.gov/orgs/office-of-environmental-justice-equity-oeje>; *Statement on Environmental Justice*, New Hampshire Department of Environmental Services, <https://www.des.nh.gov/sites/g/files/ehbemt341/files/documents/environmental-justice-statement.pdf>; *Vermont Environmental Justice Law*, State of Vermont Agency of Natural Resources, <https://anr.vermont.gov/about-us/civil-rights-and-environmental-justice/vermont-ej-law>; *Overview: Environmental Justice Program*, Connecticut Department of Energy & Environmental Protection, <https://portal.ct.gov/deep/environmental-justice/12-environmental-justice-program-overview>.

placed on communities treated as sacrifice zones for extractive and polluting industries, which are too often low-income communities, communities of color, and Tribal communities.

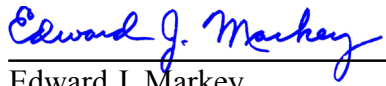
Recommendations for a Robust and Comprehensive Public Interest Determination Test for LNG Exports

The New England experience exemplifies the need for a robust public interest test that considers the full cost of U.S. LNG exports. Accordingly, we recommend that the DOE consider the following in the analysis underpinning public interest determinations for future LNG export approvals:

- the impacts of LNG exports on household energy burden and domestic energy prices, particularly by examining demonstrated cases of increased ratepayer costs caused by persistent volatility in the global LNG market. This should include a distributional analysis of the impacts exports have on low-income families;
- the cost of continued fossil gas activity against the backdrop of local, state, national, and international clean energy and emissions reduction goals and progress. This should include an assessment of the short- and long-term environmental effects of LNG export activity in comparison to the benefits of domestic and global investments in clean energy capacity, and the likely sunk costs of stranded LNG assets; and
- the harms that LNG export infrastructure place on communities with existing environmental justice concerns, especially considering local, state, national, and international plans and progress to address environmental justice, including the Biden administration's Justice40 initiative.

The DOE has a duty to conduct a robust, comprehensive public interest determination test that is based in science and sound economic policy, and is carried out through an accessible and transparent public input process. We must continue the historic Inflation Reduction Act's momentum by leading on climate and clean energy policies that deliver on our national and global commitments. We look forward to continuing to work with the Administration and the DOE in pursuit of these efforts.

Sincerely,



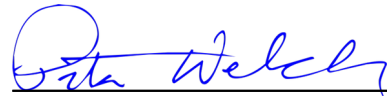
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