Biden Administration's LNG Barriers Hinder Economic Growth, Threaten American Interests, and Undermine Geopolitical Stability

By Linnea Lueken

"President Joe Biden has implemented policies that make it more difficult to develop and ship natural gas, including LNG. His administration has placed a moratorium on new natural gas leases on public lands, imposed regulatory barriers to new pipeline construction, and canceled pipelines under construction."

President Joe Biden has called for the United States to increase exports of liquified natural gas (LNG) to Europe in order to help U.S. allies wean themselves from Russian natural gas. Unfortunately, the Biden administration's climate policies have directly subverted this goal, as well as the U.S. energy dominance carefully crafted under the Trump administration.

A previous report by The Heartland Institute, "The History and Importance of U.S. Liquefied Natural Gas (LNG)," served as a primer on LNG and discusses the transition from the United States being a net importer to a net exporter of LNG. This paper discusses the current status of LNG exports and how government policies impact the U.S. LNG industry.

Quick Bullets

- LNG export terminals are currently operating at 89 percent of peak capacity.
- In February 2022, America was exporting around $114 million of LNG every day.
- U.S. LNG export expansion would increase jobs, reduce the trade deficit, and decrease our allies' dependence on natural gas from Russia, which would enhance geopolitical stability.
- The Biden administration stymied U.S. shipments of LNG to many nations from January 2021 through March 2022.
- To the extent some modest increase in LNG exports is finally likely, the increase is largely the culmination of Trump administration efforts, which have been reduced by Biden administration policies, and is far less than American energy producers capable and willing to provide.

Buyers of U.S. LNG

Top importers of U.S. LNG are South Korea with 13.3 percent, Japan with 12.1 percent, China with 9 percent, Spain with 8.4 percent, and the United Kingdom with 6.7 percent.[1] Because the United States has become the global leader in LNG exports, many U.S. allies and trade partners depend on U.S. natural gas more than ever.

Currently, U.S. LNG export capacity is about 12 billion cubic feet/day.[2] By the end of 2022, U.S. LNG exports are expected to climb to 14 Bcf/day, cementing the United States well ahead of any other nation in LNG exports.

LNG Is Vital to Economic Growth

LNG allows fuel to be affordably transported to anywhere in the world that does not have easy access to natural gas pipelines. This is true even in the United States, where several states have banned expansions and upgrades to pipeline infrastructure, yet still rely upon natural gas as a primary source of energy. Massachusetts, for example, has blocked gas pipelines into the state from nearby shale gas deposits in Pennsylvania.[3] As a result, Massachusetts imports from Russia a substantial amount of the LNG used in the state. Massachusetts cannot import LNG from U.S. LNG terminals because the Jones Act of 1920 forbids transporting American goods, including LNG, from one American port to another unless it is carried by a U.S. vessel carrying an American flag, operated by American sailors, and substantially owned by American interests. No existing LNG shipping vessels meet the Jones Act's requirements.

[1] U.S. exported record amounts of liquefied natural gas in 2021. Homepage - U.S. Energy Information Administration (EIA). (n.d.). Retrieved May 20, 2022, from https://www.eia.gov/todayinenergy/detail.php?id=51818

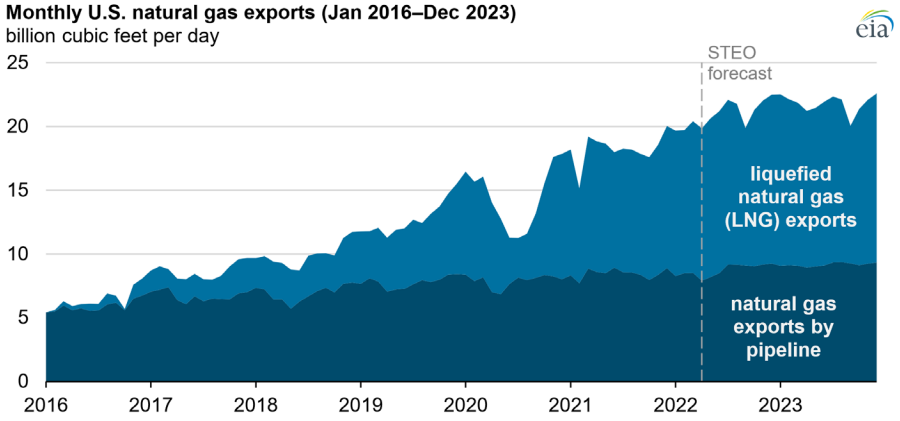
[2] Liquefied natural gas exports continue to lead growth in U.S. Natural Gas Exports. Homepage - U.S. Energy Information Administration (EIA). (n.d.). Retrieved May 20, 2022, from https://www.eia.gov/todayinenergy/detail.php?id=52118

[3] Massachusetts town votes for freezing in the dark. Watts Up With That? (2019, November 25). Retrieved May 20, 2022, from https://wattsupwiththat.com/2019/11/25/massachusetts-town-votes-for-freezing-in-the-dark/

EIA says[4]:

"Spot natural gas prices in New England are more volatile during winter months when cold weather contributes to rising regional natural gas demand and leads to more congestion on the natural gas pipeline network. Because New England does not have underground natural gas storage infrastructure and is not a natural gas-producing region, LNG imports to the region can be a key marginal source of natural gas supply during times of high natural gas demand in the winter."

Therefore, LNG helps moderate spot prices of natural gas during periods of high demand, such as during the winter months.



Number of LNG Terminals

The Federal Energy Regulatory Commission (FERC) reports there are presently eight fully operational LNG export facilities in the United States. Each of these facilities possess multiple terminals connected to rail lines, ports for marine vessels (tankers), and/or pipelines. Most are located on the U.S. Gulf Coast. Currently, three new LNG terminals are under construction. President Trump approved 12 additional terminals, though construction has not yet begun. Additionally, nine terminal projects are waiting for the Biden administration to approve permits before construction can begin.

President Joe Biden has implemented policies that make it more difficult to develop and ship natural gas, including LNG. His administration has placed a moratorium on new natural gas leases on public lands, imposed regulatory barriers to new pipeline construction,[5] and canceled pipelines under construction. The Biden administration also rescinded a Trump-era regulation approving natural gas shipments by rail.[6]

Under section 3 of the Natural Gas Act, U.S. law does not allow for the shipment of LNG or similar products to nations that do not hold a free trade agreement with the United States, unless special permits are obtained from the U.S. Department of Energy.[7]

One report from the Center for Liquefied Natural Gas explains that "[p]rior to its March 2022 approvals for Corpus Christi and Sabine Pass, [the U.S. Department of Energy] had not approved a non-Free Trade Agreement LNG permit application since January 2021."[8]

According to the same report, there are currently 17 applications for long-term exports to non-FTA countries pending with DOE, 14 projects waiting for FERC approval, and four are ready and waiting for DOE action. In total, 3.55 Bcf/D in capacity is being held up waiting for regulatory approval.

In 2022, Louisiana's Calcasieu Pass export terminal received approval to commission new liquefaction blocks—facilities that can purify and turn natural gas into LNG. One export terminal in Louisiana, called Calcasieu Pass, recently received approval to commission new liquefaction blocks—or, in layman's terms, facilities that can purify and turn natural gas into LNG. It is expected to reach its full production capacity of 1.3 Bcf per day by the end of 2022.

As important as the Calcasieu Pass project is, more expansions and new facilities are needed. The EIA reports, "In 2021, liquefaction at the six U.S. LNG export terminals averaged 102% of nameplate (or nominal) capacity and 89% of peak capacity, according to our estimates."[9]

When President Biden promised to increase LNG exports to Europe, he was essentially making an empty promise. For Biden to keep his promise, he must abandon regulations hampering the development of new pipelines, revoke regulations imposing new climate considerations on infrastructure development, and loosen restrictions on the shipment of LNG by rail. Unless and until these steps are taken, Europe will remain somewhat dependent on Russian natural gas for the foreseeable future.

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[4] Liquefied natural gas imports limited price spikes in New England this winter. Homepage - U.S. Energy Information Administration (EIA). (n.d.). Retrieved May 20, 2022, from https://www.eia.gov/todayinenergy/detail.php?id=39432

[5] Willson, M. (2022, February 24). FERC issues 'historic' overhaul of pipeline approvals. E&E News. Retrieved May 20, 2022, from https://www.eenews.net/articles/ferc-issues-historic-overhaul-of-pipeline-approvals/

[6] Hazardous Materials: Suspension of HMR Amendments Authorizing Transportation of Liquefied Natural Gas by Rail, 86 FR 61731 (2021). Retrieved from https://www.federalregister.gov/documents/2021/11/08/2021-23132/hazardous-materials-suspension-of-hmr-amendments-authorizing-transportation-of-liquefied-natural-gas

[7] Natural Gas Act, 15 U.S.C. 717b (1938) https://www.govinfo.gov/content/pkg/USCODE-2020-title15/pdf/USCODE-2020-title15-chap15B-sec717b.pdf

[8] Center for Liquified Natural Gas. (n.d.). U.S. LNG EXPORTS: Regulatory Certainty in Time of Crisis. LNG Facts. Retrieved May 20, 2022, from https://www.lngfacts.org/wp-content/uploads/sites/2/2022/03/CLNG_ENR-RegulatoryCertainty_FactSheet-0321-v2.pdf

[9] U.S. exported record amounts of liquefied natural gas in 2021. Homepage - U.S. Energy Information Administration (EIA). (n.d.). Retrieved May 20, 2022, from https://www.eia.gov/todayinenergy/detail.php?id=51818