The Oil & Gas Lobby is Panicking

Here's why

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Yesterday, 30 oil & gas trade associations sent a panicked letter to Energy Secretary Jennifer Granholm following a media report that the administration will more closely scrutinize permit applications to build a new wave of LNG gas export facilities.

Coral Davenport at the New York Times reported:

> The Biden administration is pausing a decision on whether to approve what would be the largest natural gas export terminal in the United States, a delay that could stretch past the November election and spell trouble for that project and 16 other proposed terminals, according to three people with knowledge of the matter.

The administration has not confirmed the report, but an announcement is widely speculated in the press to be possible as soon as Friday.

Big Oil's hired lobbying guns appear to be freaking out, horrified that they may have to deal with a president and Energy Secretary who are willing to take a hard look at industry plans to expand gas exports.

It's quite revealing that the oil & gas lobby is panicking. They clearly recognize that the massive LNG buildout being planned won't survive close scrutiny that prioritizes the interests of the American public over industry profits. Public opinion has been trending against them, with strong public support for the president to rein in gas exports. The public wants the president to stand up to oil & gas corporations that are demanding the same rubber-stamped approval of permits they got from Trump.

The oil & gas lobby's talking points have gone unchallenged for many years, but they do not stand up to the evidence. In this post, I break down what the lobby groups say in their letter, and provide a reality check on what is actually happening.

The Third Wave of US LNG Expansion

First, a little context about which LNG projects are under scrutiny. In November, I published a report analyzing the total volumes of US LNG exports that are already in operation, under construction, and planned.

The first wave of US LNG facilities — those already in operation — have doubled US LNG exports since 2019. Based on this first wave of LNG, the US is already surpassing its LNG commitments to Europe (responding to the Russian invasion of Ukraine). Current US LNG export levels are sufficient to meet Europe's LNG needs (see more on this in the national security discussion below).

The second wave of LNG projects — those already permitted and under construction — will double US LNG export capacity over 2023 levels by 2027. As more of this LNG comes online, it will increasingly flow to China and other parts of Asia. According to leading energy analysts, including the International Energy Agency, this second wave of LNG projects already under construction could create a global glut in LNG supplies that will either be stranded (underutilized) or will successfully outcompete investments in clean energy and create new markets for fossil fuels.

The LNG decisions currently pending at the Biden administration are focused on the next wave of LNG expansion. Under the law, new facilities to liquefy and export LNG can only be built after receiving permits from several federal agencies, including FERC and DOE. DOE can only issue permits if the additional volume of gas exports serves the "public interest." Until now, this has been largely a rubber-stamping exercise that has escaped serious public scrutiny.

Companies are seeking federal permits for a third wave of LNG projects that would not come on until 2028 or later and would quadruple US LNG export capacity compared to 2023 levels (if it is all built). This third wave includes some LNG projects that received permits from Trump but could not secure timely funding. These facilities will need new permits as the old permits expire, triggering a new public interest decision from DOE.

It's this third wave of export facilities that require federal permits from FERC and DOE that is drawing increased scrutiny from the administration. FERC has steadily approved permits, pushing the decisions to Granholm and Biden.

If approved, the next wave of proposed US gas exports would undermine global climate goals, overwhelm clean energy alternatives, and harm consumers without benefitting US allies.

Climate Impact

Oil & Gas Lobby Claim

> "curbing LNG export approvals …would undermine global efforts to reduce greenhouse gas (GHG) emissions. The U.S. leads the world in CO2 emissions reductions largely thanks to coal-to-natural gas fuel switching in the power sector. At a time when global coal consumption has soared to record highs, eclipsing 8.3 billion tonnes in 2022, America can export our emission reduction success story to countries still heavily reliant on coal."

Reality:

- **If all projects are approved, GHG emissions from DOE-authorized LNG exports would be 3.9 gigatons annually, greater than one thousand coal-fired power plants. This would be larger than the GHG emissions from the entire European Union. (source link, Findings 6 and 7).**
- **The third wave of US LNG expansion won't come online until 2028 or later and will compete with renewable energy and energy conservation, not fossil fuels. Across all scenarios in the International Energy Agency's 2023 World Energy Outlook, renewables-sourced electricity increases significantly while electricity generation from fossil fuels declines (source link, Finding 5).**

Discussion

LNG is one of the dirtiest fuels on the planet due to methane leaks, an energy-intensive liquefaction process, and the heavy carbon footprint when gas is burned.

It's hard to imagine a less credible source on climate science than API, which is currently facing a lawsuit from the state of California for a "decades-long campaign of climate deception." Instead, I would recommend this letter from noted climate scientists, who write:

> "...even in the best-case scenarios, LNG is at least 24 percent worse for the climate than coal. Increasing LNG exports will mean increased extraction of fossil fuels and climate pollution and directs us away from a renewable energy future."

The US and the world agreed at the 2023 climate talks to ramp down fossil fuels. President Biden has also committed the US to achieving a zero-emission US electric grid by 2035 and net-zero economy-wide emissions by 2050, strategies anchored in shifting from fossil fuels to renewable energy. U.S. and global net-zero GHG goals require robust investment in renewable energy technologies and energy efficiency, all of which will be slowed by locking in more fossil fuel infrastructure designed to supply fossil fuels for decades to come.

Economic Impact

Oil & Gas Lobby Claim

> "A recent economic study found that U.S. LNG exports 'have not had any sustained and significant direct impact on natural gas prices.'"

The "recent economic study" cited by the trade associations was, conveniently, written by API, one of the authors of the letter.

Reality

- **Energy prices are increasing by billions of dollars for American families because oil and gas companies export gas overseas, driving energy inflation and price spikes.**

- **U.S. consumers will pay $14.3 billion in higher annual natural gas costs due to expanded LNG exports. In some parts of the country, the price of natural gas for electric power generation is expected to increase by up to 42%** (source: **US EIA/Public Citizen**).

Discussion

Natural gas exports increase the profits of big oil & gas companies not only from direct LNG sales, but also because of the inflationary impact on US energy prices as households and US businesses have to compete with global markets for energy. This is not an incidental impact; rather, it is central to why the oil & gas lobby mobilizes so vehemently to expand and protect exports.

The 2022 explosion and fire at Freeport LNG in Texas illustrates the price effect, although in reverse. The U.S. Energy Information Administration determined that the subsequent shutdown of Freeport LNG in Texas, which restricted the flow of US gas overseas, drove US gas prices down "by almost one-third."

The harmful impact that gas exports has on US energy prices is widely acknowledged (outside of the oil & gas lobby's PR machine):

- The Federal Energy Regulatory Commission found that "continued growth in net exports, including from liquefied natural gas (LNG) export facilities, will place additional pressure on natural gas prices."
- The U.S. Energy Information Administration (EIA) found that "higher LNG exports results in upward pressure on U.S. natural gas prices."
- Gas and electric utilities across the nation are pointing to LNG exports as the reason for price spikes affecting home heating and electricity bills (source: IEEFA).

Similarly, US industries that rely on natural gas have warned about the negative economic impacts of gas exports. The Industrial Energy Consumers of America, a trade group representing manufacturing companies with $1.1 trillion in annual sales and over 11,700 facilities nationwide, has written to DOE asking them to scale back exports:

> "Excessive LNG export volumes are inflationary and threaten the competitiveness of trillions of dollars of manufacturing capital assets, millions of jobs, and economic

> growth by driving up the cost of natural gas, natural gas liquids feedstock, and electricity."

National Security

Oil & Gas Lobby Claim

> "While our European allies have made significant strides in reducing their reliance on Russian natural gas thanks to American energy producers, Europe faces a considerable supply gap over the long-term that should be met by American energy, not hostile nations."

Reality

- **The oil and gas industry is using Russian aggression as an excuse to justify a limitless buildout of LNG even though current US LNG supplies have already proven sufficient to meet Europe's needs, and the EU is taking bold actions to reduce its dependency on gas.**
- **Once companies receive permits to build LNG facilities, the US government has no authority to steer the flow of LNG to allies.**
- **The next wave of LNG expansions is being financed by long-term contracts with China and with merchant companies that sell to the highest bidder.**

Discussion

Let's be honest. Oil & gas companies sell to the highest bidder and make decisions based on only one thing: their profits.

A coalition of non-profit organizations recently analyzed the long-term contracts that have been signed by companies seeking permits for new LNG terminals. They found that the Asia-Pacific region is the leading destination for these contracts (30% of volume), while Europe accounts for only 18% of future volume. The largest pool of prospective buyers (52%) are Big Oil giants like ExxonMobil and commodity portfolio companies "that will send future LNG cargoes to where they are most profitable."

A letter released today from 60 members of European parliaments pushes back directly on the oil & gas lobby's energy security smokescreen:

> "We write to express our support as Members of the European Parliament and of national parliaments for a potential decision by the Biden Administration to pause the approval of new Liquefied Natural Gas (LNG) export facilities to fully consider their climate, environmental justice, and economic impacts.
>
> US LNG has played an important role in helping Europe avoid a short-term energy crisis brought on by Russia's invasion of Ukraine. At the same time almost all EU member states reduced and continue reducing their gas demand. We are concerned that a false depiction of European energy needs is now being used as an excuse by the fossil fuel industry and their allies to dramatically expand US LNG exports to the global market.
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> Europe should not be used as an excuse to expand LNG exports that threaten our shared climate and have dire impacts on US communities. Europe's current consumption of fossil gas is already being met under current import levels and with existing infrastructure. … Looking ahead, and enshrined in several EU policies, European fossil gas demand is set to structurally decline as the continent continues to invest in energy efficiency and renewable energy, and to electrify its power, buildings and industrial sectors. According to the International Energy Agency (IEA), "Europe's natural gas demand is forecast to decline by 8% (or over 35 bcm) during 2022-2026 and by 2026 to stand almost 20% (or 110 bcm) below the level reached in 2021."

A report issued today by the Institute for Energy Economics and Financial Anaysis (IEEFA) further details the progress being made in the EU, concluding that "European gas demand in the last two years has declined significantly" and further LNG exports from the US are not needed.

What the Oil & Gas Lobby Ignores: Toxic Damage to Frontline Communities

The oil & gas lobby leaves out a critical driver of resistance to LNG expansion: the persistent and cumulative harm to frontline communities that suffer from their toxic LNG neighbors. I will give the last words of this post over to Lt. Gen. Russel Honoré (Ret.), who led Joint Task Force Katrina in New Orleans following the devastating Category 5 hurricane. Lt. Gen. Honoré recently wrote the following as part of a larger essay:

> That the industry doesn't have the best interests of our climate or our finances at heart is no surprise to the people who live near its facilities. Pollution, flaring, wetland erosion and the destruction of fisheries near gas export terminals have not only caused widely reported health problems among local residents, they have caused area fishers and shrimpers to close up shop or flee their homes. Cameron Parish alone, once the epicenter of America's seafood industry, now resembles a ghost town rather than a hub for local jobs.
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> All of us — citizens and policymakers alike — need to be honest with ourselves about gas exporters and the broader fossil fuel industry. They are not here to invest in America. They are here to extract natural resources, turn a profit, and leave taxpayers to pay the price. As one of the poorest states in the country and one of the most vulnerable to climate change, it's a bill we just can't afford.