



Testimony

Texas LNG Exports Are a Global Economic, Environmental, and National Security Asset

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Texas LNG Exports Are a Global Economic, Environmental, and National Security Asset

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It's an honor to be with you today! I'm here to briefly discuss the DOE LNG export permitting "pause" and how it affects Texas, the U.S., and the broader global community.

Lawyers and politicians love the "definite maybe," while businesses detest uncertainty. The DOE's novel LNG export permitting pause is the apotheosis of a "definite maybe" because we do not yet know how long it will last or what new conditions might (or might not) be imposed in its wake.

When Congress drafted the Natural Gas Act of 1938 (the "Act") and made subsequent amendments, it intended to promote balanced and beneficial gas market development, a task which inherently requires balancing complex and sometimes conflicting interests. The U.S. Supreme Court affirmed this fundamental purpose, with a key 1976 decision determining that the Act's use of the words "public interest" was "*... a charge to promote the orderly production of plentiful supplies of electric energy and natural gas at just and reasonable rates.*"²

Balancing decisions regulators make under these legal auspices will impact the future development path for natural gas—which provides about 1/3 of our nation's primary energy supply—and touch the lives of every resident.

Texas Impacts of US LNG Exports

The gas and LNG value chain and associated workforce opportunities stretch from the Permian Basin to Port Arthur. Abundant, affordable, and secure gas supplies underpin domestic economic strength—and are now sufficient to share with the broader global market while simultaneously fueling domestic electricity production and industrial activity.

In 2023, Texas exported about 2.2 BCF/day of gas as LNG—almost the total daily average production of Brazil or Kazakhstan.³ Texas LNG terminals supplied 33 different countries with gas in 2023 (map in Appendix 1). Those numbers are poised to expand significantly in coming years.

Our interest as a state in LNG export projects goes beyond the liquefaction terminals alone. About 27% of total U.S. gas production in 2023 came from Texas—including

molecules that feed a Louisiana LNG export enterprise even bigger than our own.⁴ To boot, many of the companies all along the gas value chain—from wellhead to liquefaction terminals—are headquartered and have major field and office operations across Texas. This provides many well-paying jobs that in turn anchor other community businesses and livelihoods.

Global Impacts of US LNG Exports

I've talked about what LNG does for Texas. Now let's consider what U.S. LNG does for the world. U.S. LNG exports—with Louisiana and Texas at the core—have helped make gas more available and affordable globally. Cargoes from U.S. projects are “free on board,” meaning they can be shipped anywhere in the world where a willing buyer awaits. They can be traded at sea. And they can be re-directed quickly in response to market shifts.

Perhaps the best recent example comes from what happened in 2022 when Russia re-invaded Ukraine and unleashed the world's largest ever gas market shock and the biggest supply side energy shock since the 1973 Arab Oil Embargo. U.S. LNG export terminals, in cooperation with their offtake customers, were able to rapidly redirect a tremendous volume of gas to Europe, which likely helped maintain many NATO members' political support for Ukraine in its fight for independence.⁵

Energy security is national security and LNG exports are a key asset in the unfolding strategic competition between the U.S. and its allies and the China-Iran-North Korea-Russia axis that seeks to break a global order that has delivered 80 years of prosperity and progress.⁶ After World War I, the head of Great Britain's upper house of Parliament quipped that the Allies “*floated to victory on a wave of oil.*”⁷ Victory over Russia in Ukraine a few years from now could similarly come from U.S. allies floating to triumph atop a frosty wave of LNG.

U.S. LNG exports are also an engine for reducing energy poverty, and in doing so, improve human wellbeing while reducing emissions. The past 50 years show that energy insecurity often prompts the construction of additional coal-fired power plants (Appendix 2).⁸ Consumers in places like Bangladesh, Pakistan, and Indonesia—all of which periodically import U.S. LNG and benefit more broadly from the gas supply abundance U.S. exporters help facilitate—would rather use gas than coal.

But if gas prices go too high, they will choose coal-fired energy availability over “clean” energy poverty and the indoor cooking smoke, temperature exposure, and unclean water that entails. Building coal plants today often locks in coal use for 40 years into the future, with commensurate environmental impacts. Per million BTU, combusting gas emits about half as much carbon dioxide as coal. Furthermore, gas does not emit nearly the amount of particulates as coal, nor does it leave behind heavy metal-laden fly ash.

Market Impacts

The US has never before overtly politicized gas export decisions. Now that it has, restoring customer confidence will take much time and effort. The longer a pause endures, the more likely customers are to seek alternative gas sources, even including Russia.

Other distortions loom as well. Export permits are not guarantees of future molecule flows. Rather, they are options exercised when producers, consumers, and financiers coalesce around the most competitive projects. Pausing export approvals disrupts this market selection process by locking in project position based not on commercial competitiveness, but instead, on simple first mover advantage. Letting market forces and the C-Suite competitively select which projects are developed would serve the public interest better than having the G-Suite (a/k/a government) effectively do so by decree.

Furthermore, an increasing proportion of U.S. gas production comes from “oil first” locations like the Permian Basin (Appendix 3). Given oil’s higher per BTU price compared to gas, producers would keep fracking liquids-rich wells even if gas prices went to zero. But without the extra market outlet provided by LNG exports, flaring and venting would likely increase. Or, if regulators prohibited additional flaring, many producers could face pressures to slow down their drilling and completion programs, with local economic impacts as well as global oil market (and domestic gasoline price) impacts given that the Permian Basin alone now produces more oil than Iraq.

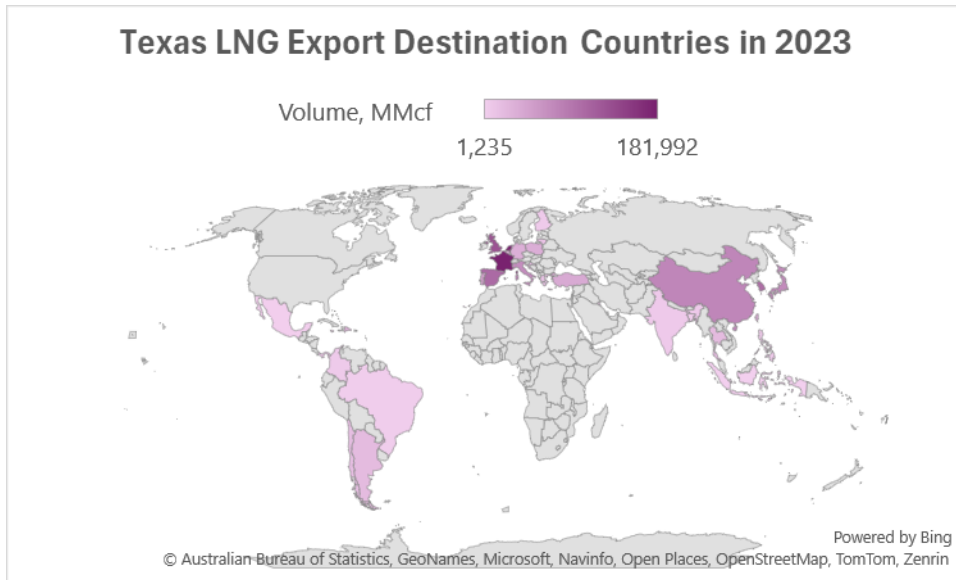
The co-existence of world-class domestic industries with world-class LNG export facilities is also prima facie evidence that U.S. domestic gas supplies are sufficient to serve both customer bases at pro-growth price levels. In fact, a 2015 study that the DOE commissioned from the Baker Institute and Oxford Economics found that *“[r]ising [LNG] exports are associated with a net increase in domestic natural gas production.”*⁹ As such, the optionality offered by LNG exports may even help stabilize U.S. domestic prices while reducing economically destructive gas price volatility.

Conclusion

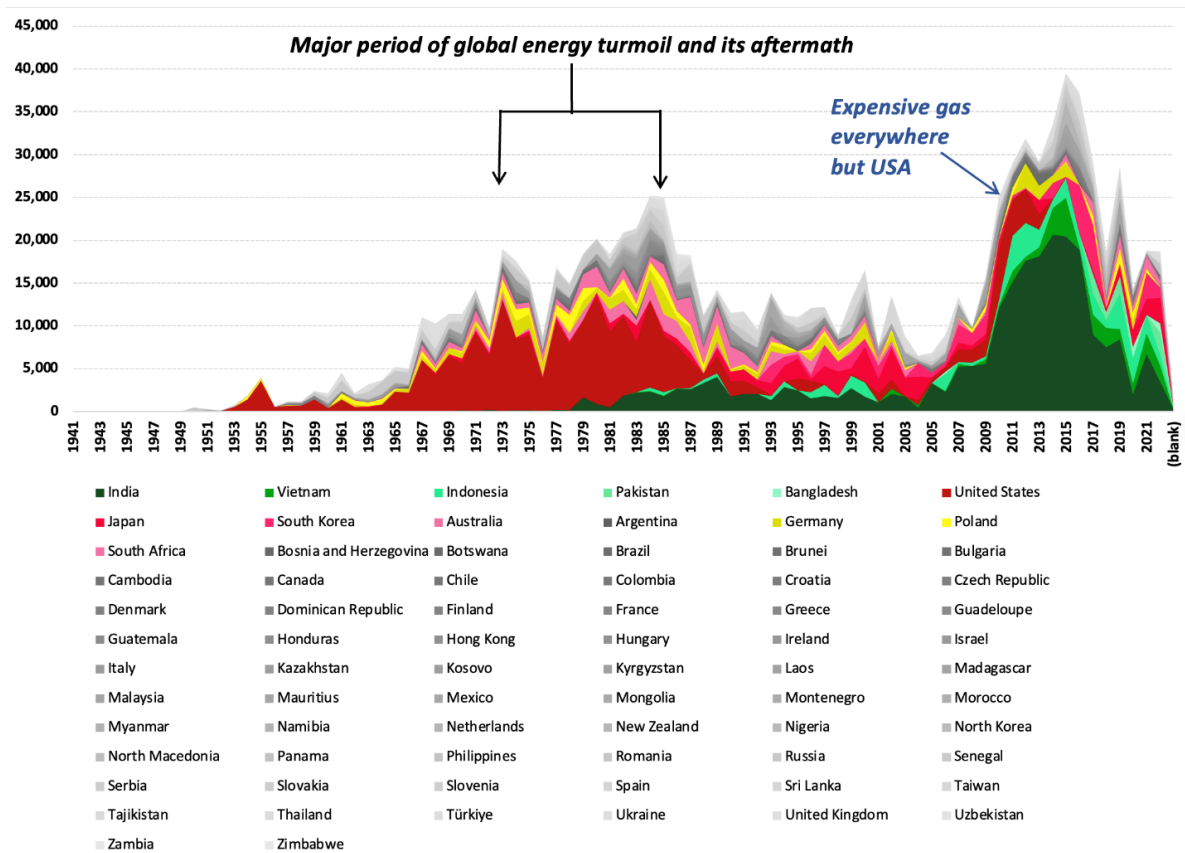
Fostering market-based energy abundance harnesses American commercial strengths. It would also demonstrate that an open-access global operating system offers a better and more prosperous future for the world than the authoritarian, control-centered model favored by the Chinese Communist Party, our chief competitor. Now is the time for the United States to emphasize an energy abundance agenda, not politicize energy exports.

Thank you for your time and attention! I’m happy to take questions.

Appendix 1

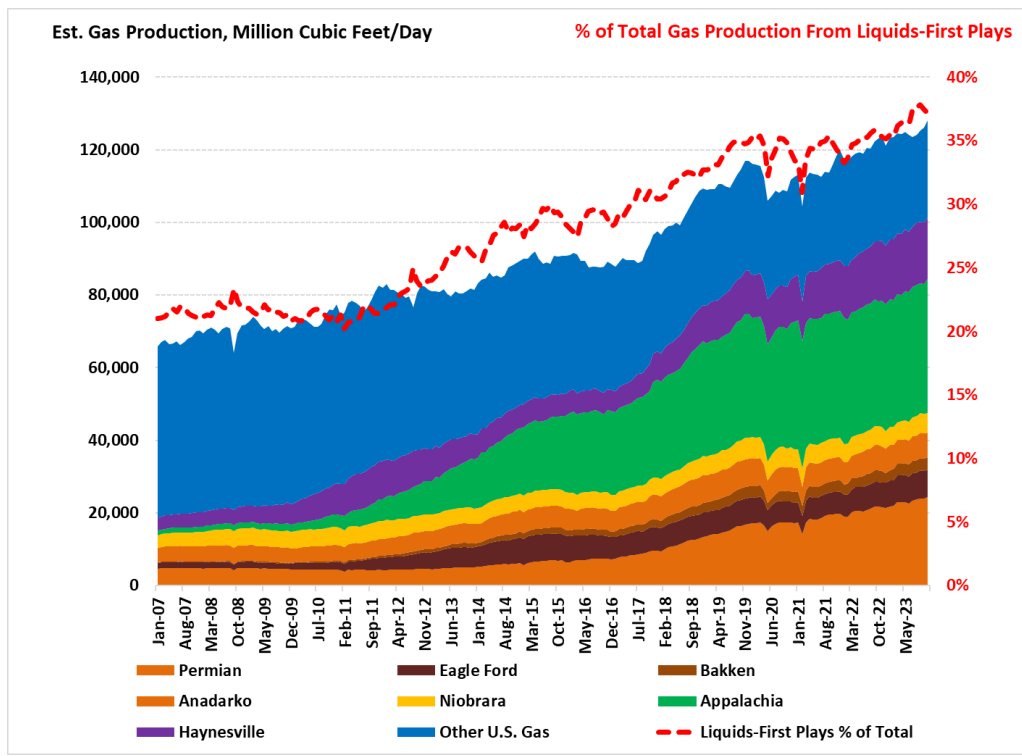


Appendix 2: Global Coal Power Plant Capacity Additions, Excluding-China (MW annually), 1941–January 2023



Source: Global Energy Monitor, author's analysis.

Appendix 3: Nearly 40% of US Gas Production Now Comes From Liquids-First Plays



Source: EIA, author's analysis.

Suggested Reading List on LNG and Natural Gas

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Notes

¹ The views and opinions expressed herein are exclusively my own and do not reflect the assessments or views of Rice University or the Baker Institute for Public Policy.

² Nat'l Ass'n for Advancement of Colored People v. Fed. Power Comm'n, 425 U.S. 662, 670, 96 S. Ct. 1806, 1812, 48 L. Ed. 2d 284 (1976).

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⁹ The Macroeconomic Impact of Increasing U.S. LNG Exports, conducted jointly by the Center for Energy Studies at Rice University’s Baker Institute for Public Policy and Oxford Economics on behalf of DOE 8 (Oct. 29, 2015), at 8, <https://perma.cc/ZRH2-X3CX>.