Thank you, Chairs McMorris Rodgers and Duncan, Ranking Members Pallone and Degette, and Members of the Subcommittee for the opportunity to testify today. My name is Gillian Giannetti, and I am a senior attorney for the Sustainable FERC Project at the Natural Resources Defense Council (NRDC). NRDC is a nonprofit organization of 700 scientists, lawyers, and environmental specialists dedicated to protecting public health and the environment. Founded in 1970, NRDC has more than three million members and online activists worldwide. Additionally, the Sustainable FERC Project, founded in 1995, is a partnership of state, regional, and national environmental and other public interest organizations that advocate at the Federal Energy Regulatory Commission (FERC), the U.S. Department of Energy (DOE), regional transmission organizations, and state utility commissions.

I have worked at NRDC and with the FERC Project since 2018, where I specialize in natural gas law. Before I joined NRDC, I was an oil and gas associate at K&L Gates LLP in both Pittsburgh and Washington, D.C. I started my career as a public-school teacher at East St. John High School in Reserve, St. John the Baptist Parish, Louisiana. Reserve is a vibrant community located in the heart of Cancer Alley and the fossil fuel industry. Many of my students had asthma or other respiratory issues. I care deeply about the Gulf, its incomparable culture, and its fragile ecosystem.

Today, I will discuss the Administration’s important but moderate January 26, 2024 decision to pause DOE’s reviews for some liquefied natural gas (LNG) export applications.¹ I seek to explain what this policy is, what it is not, and why this pause is a common-sense measure that all Americans should support, for their pocketbooks, for their health, for their security, and for their future.

1. Legal basis, history, and scope of the LNG export review pause.

To better understand the context for the Administration’s announcement—what it is and what it is not—it is important to take a step back and look at the history of LNG export law and policy. As both a lawyer and a teacher, I always start with the statutory text and its legislative history.

Congress first passed the Natural Gas Act (NGA), 15 U.S.C. et seq., in 1938. Section 3 of the Natural Gas Act states that “no person shall export any natural gas from the United States to a foreign country … without first having secured an order … authorizing it to do so.”\(^2\) DOE must approve a proposed export unless it finds “that the proposed exportation … will not be consistent with the public interest.”\(^3\) This public interest language has its roots in state statutes outlining standards for railroad permitting.\(^4\)

The Natural Gas Act further states that exports to countries with which the United States has a “free trade agreement requiring national treatment for trade in natural gas,” colloquially known as FTA countries, are per se “consistent with the public interest[.]”\(^5\) DOE must approve these exports without modification or delay. Critically, nothing in the Administration’s January 26 announcement changes that.

Instead, the Administration’s pause relates to exports to countries with which the U.S. does not have a free trade agreement requiring national treatment for trade in natural gas, or NFTA countries. For NFTA countries, the Natural Gas Act requires DOE to analyze whether the proposed exports are “consistent with the public interest.”\(^6\) If the proposed exports meet this threshold, the exports must be approved; if not, the exports must be denied. DOE has never found a proposed NFTA LNG export application to be inconsistent with the public interest.

The Natural Gas Act is silent on how DOE is to determine whether a proposed gas export is “consistent with the public interest”; instead, it leaves interpretation of the legal standard to DOE. In 1984, the Reagan administration updated the guidelines DOE uses for evaluating the public interest for LNG imports.\(^7\) However, DOE has never undertaken a similar process for exports,

---


\(^3\) \textit{Id.}

\(^4\) \textit{See generally} William K. Jones, \textit{Origins of the Certificate of Public Convenience and Necessity: Developments in the States, 1870-1920}, 79 Colum. L. Rev. 3 (1979), pp. 426-516 (outlining the development of the “public convenience and necessity” standard used for natural gas pipelines, which is analogous to the “public interest” assessment used for LNG facilities).


\(^6\) \textit{Id.} at §717b(a).

leaving the 1984 guidance as the closest DOE has come to speaking on the subject. This remains the case, even as the U.S. became the world’s leading LNG exporter last year.\textsuperscript{8} Trying to assess 2024 LNG exports based on guidance developed for 1984 LNG imports is like trying to stream Netflix through a Betamax.

Additionally, the economic and environmental studies upon which DOE relies are also in need of revision. Although these studies are far more current than the 1984 LNG import guidance, having last been updated in 2018\textsuperscript{9} and 2019\textsuperscript{10}, respectively, they still fail to consider critical evidence about LNG’s economic and environmental effects. For starters, the U.S. LNG market has evolved significantly since 2019: U.S. LNG exports have increased by nearly 200% since then.\textsuperscript{11} Moreover, these studies do not include: any distributional analyses; any assessments of the consumer or climate impacts of LNG exports; and use lifecycle greenhouse gas estimates that rely on disproven assumptions about the relationship between coal- and gas-fired electricity in European and Asian markets.

Furthermore, since 2019, there has been increasingly strong evidence of the direct connection between increased LNG exports and increased domestic gas prices and volatility. Since 2019, the U.S. and world transition to renewables continues as prices plummet. And every day we gain more understanding of the risks of climate change to our national security and our economy, as well as the relationship between climate change and natural gas production and consumption.

The Administration’s January 26 pause is an attempt to ensure that DOE is properly evaluating the public interest impacts of LNG export—its core legal duty under the Natural Gas Act. The goal is to kickstart a balanced and transparent process to update outdated methodologies and inapplicable guidelines and to facilitate an opportunity for members of the public to share their diverse points of view. Rather than risk reviewing projects under obsolete and inapplicable tools, the Administration is moving the horse back before the cart.

\textsuperscript{8} E.g., Curtis Williams, \textit{US was top LNG exporter in 2023 as hit record levels}, Reuters (Jan. 3, 2024), https://www.reuters.com/business/energy/us-was-top-lng-exporter-2023-hit-record-levels-2024-01-02/.


To that end, the Administration’s announcement does not prescribe, recommend, or pre-determine what the final analysis will look like, nor does it prematurely declare a position on any pending project. It also has an express national security exception. Additionally, the Administration’s pause will not affect current LNG exports or already approved LNG exports that are still in development. These upcoming projects alone are expected to double the U.S.’s LNG export capacity by 2027. And, as previously noted, it has no effect on FTA exports whatsoever. It also has no effect on FERC’s authority to review applications to build new LNG export terminals or natural gas pipelines. Thus, the Administration’s pause is reasonably tailored to exports that would occur in the far future, to a specific kind of country, for which our analytical tools are years out of date.

So, why should you care?

2. LNG exports increase domestic energy prices and price volatility.

The Biden Administration’s decision to pause some of its LNG export reviews is a win for everyday Americans struggling with high energy costs. LNG comes from the same gas that many of us use for cooking and heating our homes and businesses. And as many on this Committee can attest, gas still makes up a large percentage of the electricity mix.

As LNG exports have increased, U.S. natural gas markets have become more closely tied to global ones, forcing Americans to compete with consumers abroad—despite abundant resources and record production. This has led to higher prices and higher volatility. The Institute for Energy Economics and Financial Analysis (IEEFA) released a study in January 2024 concluding that, over a 16-month period (from September 2021 through December 2022), LNG exports cost U.S. consumers more than $100bn.

Multiple government agencies have also confirmed the direct link between increased LNG exports and higher domestic gas prices. The U.S. Energy Information Administration released an analysis on May 23, 2023, concluding that “higher LNG exports create a tighter domestic natural gas market (all else held equal), increasing domestic natural gas prices.” Similarly, FERC’s 2022-2023 Winter Energy Market and Reliability Assessment concluded 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

---

12 “Long Term Applications Received by DOE to Export,” U.S. EIA (Dec. 11, 2023), https://www.energy.gov/sites/default/files/2023-12/Summary%20of%20LNG%20Export%20Applications_12.11.23.pdf.

13 Clark Williams-Derry, Gas exports cost U.S. consumers more than $100 billion over 16-month period, IEEFA (Jan. 29, 2024), https://ieefa.org/resources/gas-exports-cost-us-consumers-more-100-billion-over-16-month-period.

. . . the expansion of LNG export capability has integrated formerly disparate North American regional natural gas markets into the global market.”

The June 2022 explosion at the Freeport LNG Terminal in Freeport, Texas removed any doubt as to this connection. In the aftermath of the explosion, U.S. natural gas futures plummeted by 25%. The reason for this is simple: traders understood that reduced U.S. natural gas exports would result in increased supply for American consumers. When the Freeport LNG terminal started to come back online, domestic prices jumped. But Marketwatch reported last month that U.S. natural gas futures had again dropped by 8%, due to projections of a mild winter combined with continued outages at the Freeport LNG Terminal. Put simply, gas is just like any other commodity. When there’s more of it available domestically, the price goes down. When there’s more of it being exported, the price goes up.

Despite the unmistakable evidence of the relationship between increased LNG exports and increased U.S. natural gas prices, the 1984 guidance upon which DOE relies does not consider the question, because, as discussed above, that guidance is about LNG imports. However, the clear intent of the Reagan administration was to facilitate LNG imports as one way to reduce U.S. domestic gas prices and ease energy burdens on ordinary Americans, particularly in the aftermath of the 1970s energy crisis. And the most recent economic studies do not sufficiently address the impact of LNG exports on domestic consumers, still finding that gas producers, exporters, and their shareholders will benefit while consumers and domestic manufacturers will bear the cost. In other words, DOE currently assesses whether further U.S. LNG exports serve the U.S. public interest, without adequately considering the well-demonstrated effect that U.S. LNG exports have on U.S. domestic gas prices. The American people deserve better.

DOE’s economic analyses also include no distributional analysis, despite the disproportionate energy burden borne by low-income Americans. DOE finds that the national average energy burden for low-income households is 3x higher than that for non-low-income households. Given that DOE’s previous analysis finds a benefit for gas company shareholders and a cost for consumers, this disparity between the impacts of LNG on low- and high-income individuals might be even greater than previously assessed. The lack of a distributional analysis is particularly


troubling given the express discussion of distributional analysis in the Administration’s *Final Guidance to Improve Regulatory Analysis*.\(^{19}\)

3. **DOE must consider LNG’s costs and benefits on local communities.**

DOE’s current guidance and studies also fail to account for the direct economic benefits and costs of LNG exports on local Gulf communities. Let us first talk about jobs.

As just one example, according to FERC’s own analysis, the proposed Calcasieu Pass 2 LNG Terminal (CP2) would “temporarily boost employment” in and around Lake Charles, L.A.\(^{20}\) Venture Global, the developer of CP2, estimates that it will source only 30% of its Terminal construction workforce from the area.\(^{21}\) Further, the project would only result in 260 permanent jobs,\(^{22}\) and there is no guarantee that those jobs would employ people from Cameron and Calcasieu Parishes. Furthermore, the locals who do work in LNG are often employed by contracting companies who take a large cut of the pay and provide little-to-no job security. This story is not unique; a 2021 DOE study\(^{23}\) found that the fossil fuel industry cut jobs in 2021 despite increased production. Meanwhile, renewable energy jobs outpaced economy-wide employment growth.\(^{24}\)

The LNG industry also drains resources from local communities by paying negligible taxes through tax abatements. For example, a September 2022 study\(^{25}\) found that the taxpayers in the Coastal Bend lost $2.47bn in lost revenues due to tax abatements, with Cheniere LNG receiving nearly 50% of this abatement. This equates to a whopping $950,000 in lost taxes per job created.

Similarly, Cameron LNG (worth $11.7bn) and Sabine Pass LNG (worth $12.8bn), are exempt from paying property taxes on 99% of their value.\(^{26}\) Without this tax revenue,
municipal services like education and public transportation are underfunded. I remember regularly purchasing materials out of my own savings to make sure my students were prepared. The teachers of Louisiana are phenomenal, but the resources they have are unacceptable. Louisianans, and hardworking Americans everywhere, deserve better.

LNG facilities can also impact other native industries, such as shrimping. For example, Adley “Leo” Dyson, a professional shrimper who lived in Cameron Parish for over 70 years, told American Press in 2023 that he has personally seen the consequences of LNG development on local fisheries. For example, after the establishment of the Sabine Pass LNG terminal, Mr. Dyson reported that the number of active shrimping boats was reduced from 50 to none. A comparable situation also occurred in Freeport, Texas, he said. In November 2023, Lt. Gen Russel L. Honoré, who led Joint Task Force Katrina, wrote an op-ed offering similar observations.

LNG companies’ tax abatements, false promises of employment, and detriment to local industries are particularly concerning given the urgent need for long-term investment in Louisiana and the Gulf. According to U.S. News and World Report, Louisiana ranks 50th in overall rankings, including 50th in economy, 46th in education, 48th in opportunity, 49th in environment, and 50th in crime. Louisianans, and hardworking Americans everywhere, deserve better.

No single effect of LNG infrastructure should determinatively establish whether the project is—or is not—consistent with the public interest. The key is that DOE must take all relevant factors into account, and currently, as these examples show, the agency simply does not. There is no way for DOE to execute its duty under the Natural Gas Act without updating its tools to consider the range of economic impacts related to exporting LNG, both positive and negative.

Further, any LNG export decisions issued without an updated economic analysis are ripe for litigation and the challenge that the decision was arbitrary and capricious under the Administrative Procedure Act. So not only could this result in poorly reasoned decisions, basing them on incomplete and outdated analyses makes them high-risk for litigation and reversal by the courts.

4. LNG exports exacerbate environmental injustice and public health risks.

LNG exports also have critical environmental justice impacts that DOE does not currently analyze. The LNG lifecycle pollutes air and water along every step of its path: from fracking in the Permian basin to hundreds of miles of pipelines cutting across New Mexico, Texas, Louisiana, and beyond; from liquefaction at LNG terminals along the U.S. Gulf Coast to combustion overseas. Gas

---


[28] Id.


liquefaction releases pollutants that are known causes of respiratory disease and cancer, including volatile organic compounds (VOCs), nitrogen oxides (NOx), sulfur dioxide (SO2), carbon monoxide (CO), and particulate matter (PM).\textsuperscript{31}

Gas liquefaction and export facilities regularly are sited in low-income communities, communities of color, and on Indigenous and tribal lands. Communities most impacted by the production of exported gas often face disproportionate cumulative impacts of pollution and associated health burdens including asthma, lung and cardiovascular disease, cancer, preterm births, and premature deaths.\textsuperscript{32} Other impacts include visual and pervasive light impacts from facilities, sound impacts, and, as previously discussed, disruption on aquatic life, including fish, and shrimp harvested by local fisheries.

Moreover, many of these communities face the first and worst impacts of climate change- attributable extreme weather events, such as hurricanes and floods that threaten community safety and resilience.\textsuperscript{33} I personally have had to evacuate Louisiana due to hurricanes. I have friends who are still working to repair their homes after Hurricane Laura. Yet the construction and operation of LNG facilities continues to erode the coastal marshes that protect communities from these floods and storms.

Despite these impacts, DOE’s current export review process does not account for these critical public health and community harms. This is notwithstanding the fact that FERC agrees that export terminals emit high volumes of air pollution that can result in concentrations exceeding U.S. Environmental Protection Agency thresholds, that export vessel traffic interferes with commercial and recreational use of waterways, and that export infrastructure has other wide-ranging impacts on surrounding communities.\textsuperscript{34} These impacts are directly relevant to whether exports are consistent with the public interest. The Administration’s common-sense pause enables DOE to properly recalibrate its tools to incorporate environmental justice impacts.

\textbf{5. The national security implications of unfettered LNG export expansion must be carefully examined.}

The Biden Administration’s short-term pause on new NFTA LNG export reviews does nothing to compromise the national security of the United States or our allies. In fact, it provides a basis to strengthen U.S. national security by creating the imperative for the Administration to holistically


evaluate the security and geopolitical impacts of expanded LNG exports, including the globally destabilizing impacts of climate change and the economic and strategic risk of stranded assets.

Let’s get back to the facts. This pause will not impact currently operating LNG export facilities, LNG facilities under construction, or those that already have their export permits that aren’t yet under construction. There is also no impact on countries with which the U.S. has a free trade agreement requiring national treatment in natural gas. The facilities under construction alone are on track to nearly double U.S. LNG export capacity by 2027. To repeat, these facilities are entirely unaffected by the pause.

Furthermore, the pause itself is subject to an express exception for unanticipated and immediate national security emergencies. And the Administration has promised, reasonably so, to include national security as a key element of its reassessment of the public interest.

Europe deserves specific analysis in this context. Following Russia’s invasion of Ukraine, existing U.S. LNG export capacity was critical to meet Europe’s needs. After Russia invaded Ukraine in February 2022, the U.S. met President Biden's commitment to provide an additional 15 billion cubic meters (bcm) of U.S. LNG to Europe. In 2022, the U.S. delivered 56 bcm to Europe, an increase of 34 bcm from 2021. Europe entered this winter with gas stores at 96%, the second highest ever on record and far above the prior seasonal average. Existing U.S. LNG export infrastructure was more than sufficient to meet Europe’s need.

Meanwhile, Europe has been moving quickly to build renewable energy and increase energy efficiency to increase its energy security and meet ambitious legally binding climate goals. In the REPowerEU plan, the EU recommitted to reducing overall gas consumption by 30% by 2030. Leaked drafts of the forthcoming EU 2040 climate target suggest even steeper cuts to EU gas demand from 2030-2040. U.S. LNG facilities subject to the NFTA export review pause would not

---


come online until at least the end of this decade, because after obtaining all permits and a final investment decision, terminal construction takes 3-5 years to complete.  

On January 25, 2024, 67 Members of the European Parliament and national European parliaments sent a letter to President Biden and DOE Secretary Granholm supporting a pause on new LNG exports. The lawmakers wrote: “U.S. 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 E.U. 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 U.S. LNG exports to the global market. Europe should not be used as an excuse to expand LNG exports that threaten our shared climate and have dire impacts on U.S. communities.”

As in Europe, Asian allies dependent on U.S. LNG, of which Japan and South Korea make up the largest share, see a future where gas plays a less prominent role in their energy mix. According to the Japanese government’s Strategic Energy Plan, the share of LNG in the total electricity supply will decrease to 20% in 2030, down from 37% in 2019. South Korea’s 10th Basic Energy Plans signals a decrease in LNG as a share of total power generation from 28% in 2022 to 9.3% in 2036.

As Asia-Pacific civil society groups recently wrote to the Administration, “U.S. LNG exports only fuel instability by keeping the region reliant on fossil gas, undermining its potential to set ambitious renewable energy targets. The market and price volatility that was felt throughout the most recent energy crisis — this time caused by Russia’s invasion of Ukraine — severely undermines the narrative of gas being a stable and reliable bridge for our region’s fast-growing economies.”

And let’s not forget the national security implications of climate change. As the U.S. Intelligence Council (IC) has laid out, “Climate change will increasingly exacerbate a number of risks to U.S. national security interests, from physical impacts that could cascade into security challenges, to...}

---


45 Asia Civil Society Open Letter to President Biden on the US’s LNG Export Decision. (Jan 26, 2024). https://fossilfreejapan.org/media/media-releases/asia-civil-society-open-letter-to-president-biden-on-the-us-ss-lng-export-decision/
how countries respond to the climate challenge. While the IC judges that all of these risks will increase and that no country will be spared from challenges directly related to climate change.”

6. U.S. LNG exports play a large role in driving climate change.

DOE’s decision to pause NFTA export reviews also allows it to update its climate analyses. The realities of climate change are seen throughout our country: from wildfires in California, to hurricanes in Louisiana, to catastrophic flooding in the Midwest.

These realities of climate change are what led the U.S. to join all 197 other nations at COP28 in Dubai to agree to accelerate action this decade to transition away from the fossil fuels that are driving the climate crisis. The LNG export review pause is a first step towards real leadership in implementing this commitment and ensuring that only exports that are consistent with the public interest are approved.

If left unchecked, the massive expansion of U.S. LNG exports compromises domestic and global climate goals and undermines U.S. climate leadership. The U.S. is forecast to have the largest combined increase of annual oil and gas production in the world between now and 2030, and U.S. LNG exports are the driving force behind U.S. gas production growth. Meanwhile, the International Energy Agency found that gas consumption and production must decline by approximately 20% by 2030 to reach net zero by 2050.

Multiple studies have shown that LNG is more GHG-intensive than initially estimated, due to methane leaks and other emissions along the supply chain: production, transport, liquefaction, shipping, and combustion. In fact, gas may be as bad for the climate as coal over its entire lifecycle when methane leaks are factored in. LNG facilities are built to last 20-40 years, locking in planet-warming emissions for decades.

---


LNG expansion also may undermine U.S. efforts to reduce emissions, including the measures outlined within the Inflation Reduction Act. One analysis finds that domestic U.S. emissions reductions could be entirely offset by increases in U.S. fossil fuel exports,\textsuperscript{52} with LNG driving this global emissions growth to 2050. Another corroborates this dynamic, finding that building planned and under construction LNG facilities would cause the U.S. to overshoot its 2030 Nationally Determined Contribution by 41\% (as opposed 25\% with no new facilities).\textsuperscript{53} This overshoot is even higher if international emissions are factored in.

DOE’s current tools do not assess how LNG exports can be reconciled with the Paris Agreement, deep decarbonization pathways, or the Administration’s climate targets. It has not considered LNG exports’ potential for displacing renewables and other clean technologies, nor has it evaluated the climate implications of recent surveys that find much higher methane emissions from gas production, transport, and processing than previous studies.\textsuperscript{54}

Industry claims that LNG exports have a net-positive climate impact rely on the false assumption that U.S. LNG is universally displacing coal abroad (in addition to the contested argument that its lifecycle emissions are less than coal). However, NRDC analysis debunks that claim.\textsuperscript{55} This analysis evaluates the resource mix and trajectory of major importers of U.S. LNG to test the claim that this LNG is substituting coal consumption. For example, in the E.U. (the #1 current importer of U.S. LNG), U.S. LNG is mainly used for heating, a sector that does not rely on coal to begin with, and in Asia, Japan and South Korea, top importers of U.S. LNG, have no plans to build additional coal power plants.

A separate 2023 analysis corroborates the NRDC study;\textsuperscript{56} it found that, given the changing resource mix, future U.S. LNG exports are much more likely to compete with renewables than DOE’s current studies assume.

None of DOE’s current tools enable it to properly incorporate an adequate climate assessment into its public interest analysis. The LNG export review pause enables DOE to solicit feedback from


scientists and energy industry experts to compare the pros and cons of LNG on our overall carbon footprint.

7. Conclusion.

The Biden Administration’s January 26 NFTA LNG export review pause is a crucial step, while also being moderate in scope. The Administration recognized the need to update obsolete and inapplicable tools, while tailoring the pause to exclude all current LNG exports, all already approved LNG exports, all FTA exports, and providing a carveout for national security concerns. Given the serious and demonstrated economic and environmental impacts of further LNG expansion, this is a critical move to simultaneously respect our allies and to put the U.S. public interest front and center, exactly as the Natural Gas Act demands.

/s/ Gillian Giannetti
Gillian Giannetti
Senior Attorney
Natural Resources Defense Council
Sustainable FERC Project