

“AMERICA FIRST LNG INVENTORY POLICY”

TO PROTECT THE PUBLIC INTEREST AND TO INSULATE THE U.S. MARKET FROM THE NEGATIVE IMPACTS OF LNG EXPORTS

Consumer protections under the Natural Gas Act (NGA).

Congress granted protection for domestic consumers from natural gas export volumes to non-free trade agreement (NFTA) countries, which would negatively impact the public interest under the NGA. About 80 percent of all U.S. LNG exports are shipped to NFTA countries. There are explicit provisions to protect the “public interest,” even in the event of unforeseen circumstances. Below are excerpts from the Federal Register which explicitly makes clear that the U.S. Department of Energy (DOE) has the authority and responsibility under the NGA to protect the public interest.

The U.S. DOE has already approved 48 Bcf/d for export to NFTA countries equal to 51 percent of 2024 net supply and exports are expected to increase 92 percent by 2027 (see Figure 1).¹ The U.S. only exports 10 percent of its gasoline. For crude oil we export 1,504,021 thousand barrels annually, while importing 2,411,293 thousand barrels, for a net import of 18.8 percent of production.² Increased LNG exports risks higher prices for U.S. consumers. For every one dollar increase in the Henry Hub natural gas price, consumers pay on average \$34 billion more for natural gas and \$20 billion more for electricity, for an estimated total of \$54 billion annually.

LNG exports have four characteristics that justify action by DOE to act now to insulate U.S. consumers from LNG export impacts. As export volumes grow, price and reliability risks increase for U.S. consumers and impact manufacturing competitiveness.

1. Energy Information Administration (EIA) data proves that LNG export volumes are highest during our winter peak heating season months of November through February, which accelerates a reduction in U.S. inventory, increasing the prices on natural gas and electricity and reduces reliability. The severity of the problem increases as export capacity increases. (see Figures 2-8).
2. LNG customers are countries who will pay any price to keep the lights on in their country. They are insensitive to price. No matter how high U.S. prices will go, they will buy away our natural gas even when our inventories fall and prices rise.
3. The LNG 25-year contracts shift supply and price risk from LNG buying countries to U.S. consumers and the economy. The 25-year contracts guarantee that other countries will get the natural gas even when our inventories are low and falling. U.S. consumers do not. No U.S. entity has 25-year contracts, not even electric utilities.
4. Increased LNG exports risk U.S. prices becoming linked to international LNG prices, which directly impacts U.S. manufacturing competitiveness (see Figure 9).

¹ Summary of LNG Export Applications of the Lower 48 States, U.S. Department of Energy, <https://www.energy.gov/fecm/articles/summary-lng-export-applications-lower-48-states>

² Petroleum & Other Liquids, U.S. Energy Information Administration (EIA), <https://www.eia.gov/petroleum/>

Examples how LNG exports negatively impact domestic prices.

During the winter of 2021-2022, U.S. inventories decreased because of cold weather (Storm Uri) and lower production, and still, LNG exports were maximized, which accelerated the reduction of inventory, resulting in much higher prices. The monthly average Henry Hub natural gas price increased from \$2.00/MMBtu to \$8.40/MMBtu, a 300 percent increase and electricity prices increased by 30 percent.

This winter (2024-2025) the EIA reports that we started with inventories that were 6 percent above the five-year level and as of March 7, 2025 inventories are 12 percent below the five year level, a precipitous drop of 18 percent. As of March 27, 2025, inventories are 24.2 percent below the previous year. Henry Hub prices increased from \$1.50/MMBtu to \$4.27/MMBtu or up 285 percent. Manufacturers saw spot natural gas prices as high as \$120/MMBtu. Despite falling inventories, DOE/EIA report that, for example, during the week of February 24, 2025, LNG exports reached new record levels of 16.8 Bcf/day, marking the eight consecutive day of LNG demand surpassing 16 Bcf/day.

Manufacturing companies are the first to be curtailed at great costs.

Under both of the examples above, manufacturers across the U.S. were issued either operational flow orders (OFOs) or curtailment notices to reduce demand by their pipeline suppliers in order to service the needs of homeowners, power companies, and LNG exports. Curtailment can cost millions of dollars per day, disrupt operations, damage equipment, impact supply chains for consumer, industrial, and national defense products.

DOE has not taken any action heretofore to insulate U.S. consumers from higher prices and declining reliability that can occur when natural gas inventories are low.

Federal Register on June 21, 2018

The DOE is responsible for authorizing exports of domestically produced natural gas, including liquefied natural gas (LNG), to foreign nations pursuant to section 3 of the NGA. Under section 3(a) of the NGA, the DOE reviews applications to export natural gas to countries with which the United States has not entered into a free trade agreement (FTA) requiring national treatment for trade in natural gas and with which trade is not prohibited by U.S. law or policy (NFTA countries). NGA section 3(a) states that the DOE “shall issue such order upon application, unless, after opportunity for hearing, it finds that the proposed exportation or importation will not be consistent with the public interest.”

Additionally, under section 16 of the NGA, the DOE is authorized to “prescribe, issue, make, amend, and rescind such [export] orders...as it may find necessary or appropriate...” to satisfy its statutory responsibilities. The DOE has maintained, however, that [in the event of any unforeseen developments of such significant consequences as to put the public interest at risk, the DOE is fully authorized as necessary to protect the public interest.]

Establish an LNG Inventory Policy to insulate the U.S. market from the negative impacts of LNG exports when inventories are low.

There is a direct relationship between levels of inventory and prices. When inventories are low, prices rise and vice versa. The EIA releases its inventory report every Thursday. It is transparent market data that all consumers and producers rely upon.

For purposes of protecting the public interest when inventories are low, the DOE should condition LNG export orders for shipments to NFTA countries in a manner that gives the DOE the option to require LNG exporters to reduce the rate of exports if U.S. natural gas inventories are low. For example, DOE could require export volume to be reduced by 5 percent. Once inventory levels increase to levels that do not impact reliability and price, the DOE can allow the export rate to resume at market demand.

Whether or not the DOE requires some level of reduction would be dependent upon the inventory level with a forward view for the following month, which will be informed by weather forecasts, natural gas production levels, and other factors that impact inventory levels.

For example, if inventory levels fall but an assessment that anticipates warmer weather for the following month could preclude action by the DOE to require export reductions.

The policy can be implemented without impacting LNG contracted volumes.

Industry sources estimate that export terminals have about 80 percent of their export capacity under long-term contract and the balance is spot business. It is unfathomable that DOE would need to reduce export volume by 20 percent. Therefore, DOE's action to require reductions would not impact contracted volumes.

Establishing this policy will result in LNG export terminals taking near-term action to reduce any impact associated with the policy and will build this scenario into their business model and operating procedures. For example, exporters may consider investing in private storage facilities. In fact, that is what many large chemical companies do on the Gulf coast, securing a private inventory of either natural gas or NGLs. Export facilities are accustomed to wide swings in export volumes due to a host of business conditions.

LNG Supply to U.S. Allies.

For national security purposes, if U.S. inventories fall, and U.S. allies need more LNG, the DOE can decide to not require the LNG exporters to reduce volumes. However, the fact is that the DOE cannot direct shipments to our allies anyway. Once a ship is in the open water, it can change ownership and destinations many times.

No cost to taxpayers.

Implementation of the policy would not cost taxpayers.

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Figure 1

LNG Exports Increase 92% by 2027

Annual North American liquefied natural gas export capacity by project (2016–2027)
billion cubic feet per day

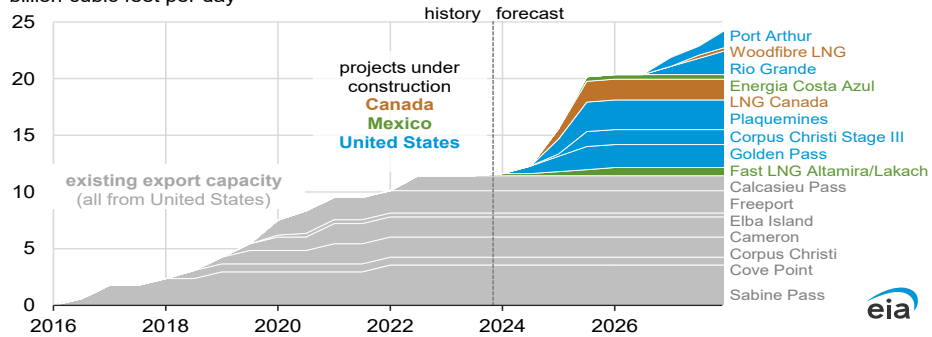


Figure 2

LNG Exports are Highest During Winter Months Which Increases Natural Gas and Electricity Prices (EIA)

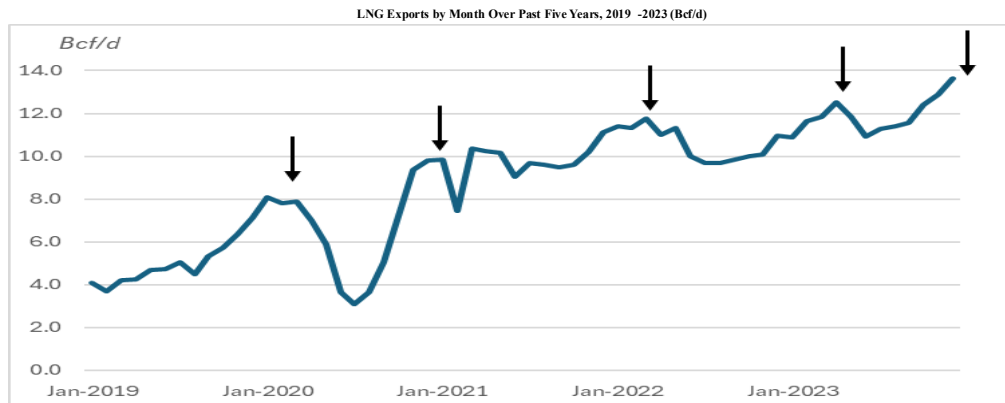


Figure 3

Already-Approved LNG Exports Lift Peak Winter Demand 34% Above Current Records

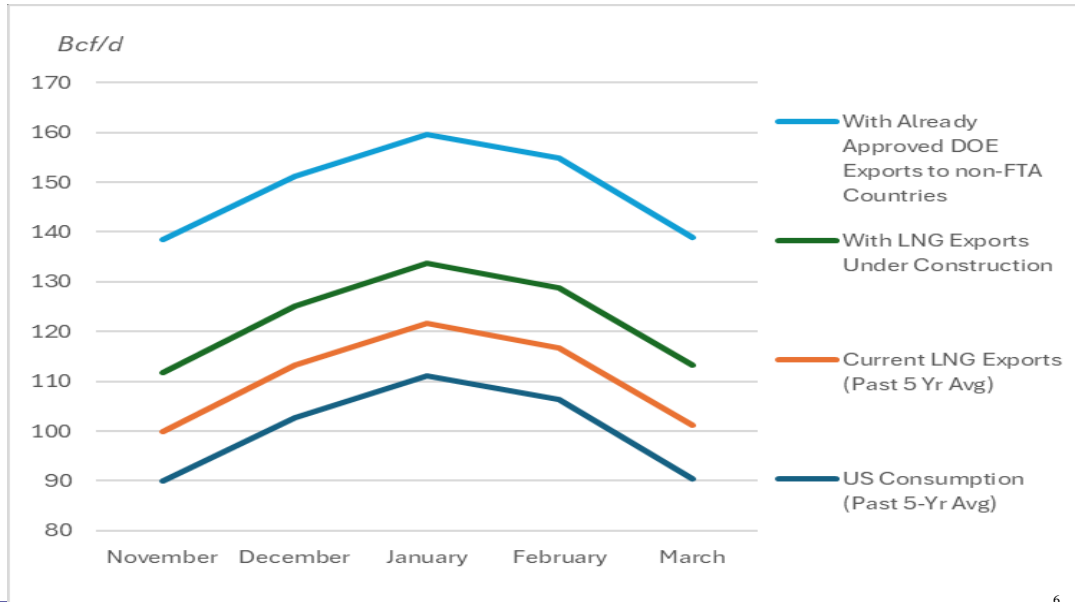


Figure 4

Seasonality Plays a Far Bigger Role in Natural Gas than Oil Products (EIA)

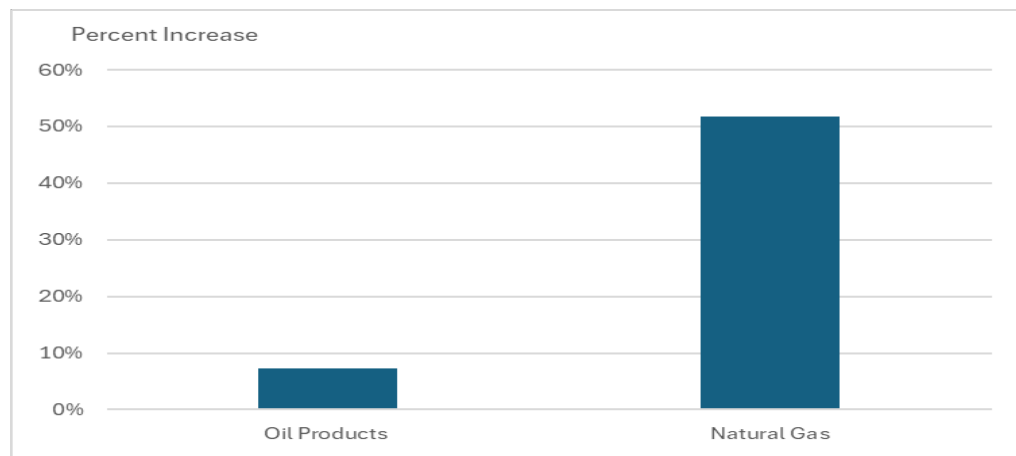


Figure 5

Largest Single-Week EIA Storage Withdrawals in History Are Since LNG Exports Began (EIA)

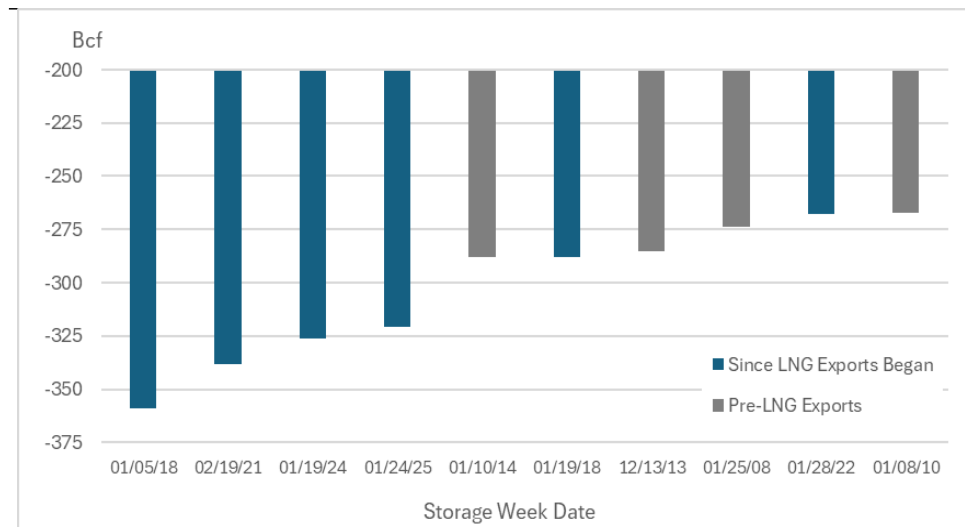


Figure 6

Already-Approved LNG Exports Dwarf Storage Inventories to Destabilize Market (EIA/DOE)

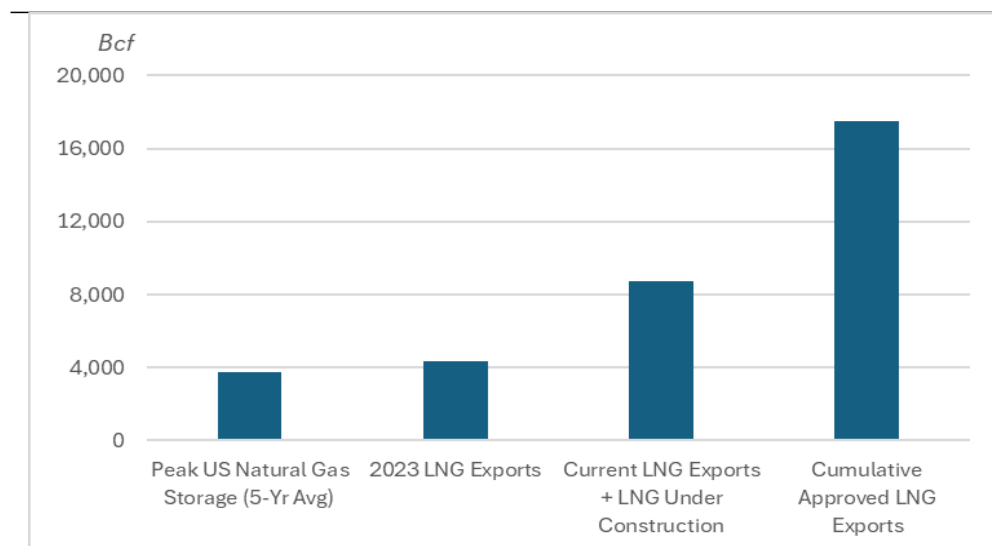
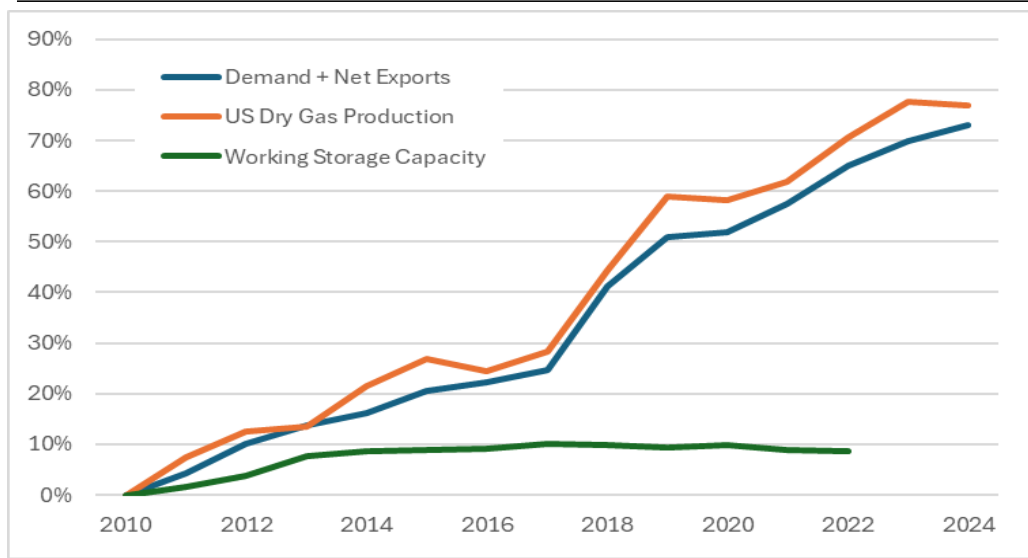


Figure 7

Storage Availability Unable to Keep Up With Supply/Demand



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EIA PROJECTS RISING U.S. NATURAL GAS PRICES AMID GROWING LNG DEMAND

Pipeline & Gas Journal

March 27, 2025

<https://pgionline.com/news/2025/january/eia-projects-rising-us-natural-gas-prices-amid-growing-lng-demand>

US NATURAL GAS PRICES UP ON RECORD FLOWS TO LNG EXPORT PLANTS, COOLER WEATHER FORECASTS

Scott Disavino, Reuters

March 18, 2025

<https://www.reuters.com/business/energy/us-natgas-prices-edge-up-record-flows-lng-export-plants-cooler-forecasts-2025-03-18/>

US NATGAS PRICES JUMP 5% TO ONE-WEEK HIGH ON RECORD LNG FLOWS, DAILY OUTPUT DROP

Scott Disavino, Reuters

March 20, 2025

<https://www.msn.com/en-us/money/markets/us-natgas-prices-jump-5-to-one-week-high-on-record-lng-flows-daily-output-drop/ar-AA1BfZGU>

US NATGAS PRICES JUMP 8% ON RECORD LNG FLOWS, GERMANY NOT IN TALKS ON NORD STREAM 2

Scott Disavino, Reuters

March 3, 2025

<https://www.reuters.com/business/energy/us-natural-gas-prices-climb-2-record-flows-lng-export-plants-2025-03-03/>

WHY NATURAL GAS PRICES ARE SURGING: WEATHER, SUPPLY AND GLOBAL DEMAND

Robert Rapier, Forbes

March 2, 2025

<https://www.forbes.com/sites/rrapier/2025/03/02/why-natural-gas-prices-are-surging-weather-supply-and-global-demand/>

HOW LNG EXPORTS WILL DEFINE U.S. ENERGY POLICY UNDER TRUMP 2.0

Ariel Cohen, Forbes

February 27, 2025

<https://www.forbes.com/sites/arielcohen/2025/02/27/how-lng-exports-will-define-us-energy-policy-under-trump-20/>

EIA EXPECTS HIGHER WHOLESALE US NATURAL GAS PRICES AS DEMAND INCREASES

Alfred Hamer, World Pipelines

January 27, 2025

<https://www.worldpipelines.com/business-news/27012025/eia-expects-higher-wholesale-us-natural-gas-prices-as-demand-increases/>

US LNG EXPORTS RAISE ELECTRICITY BILLS, GAS PRICES AND EMISSIONS, DOE REPORT CONCLUDES

Robert Walton, Utility Dive

December 18, 2024

<https://www.utilitydive.com/news/us-lng-exports-raise-electricity-bills-gas-prices-and-emissions-doe-repor/735876/>

US GAS PRICES TO BE INCREASINGLY LINKED TO INTERNATIONAL MARKETS THROUGH LNG

Hellenic Shipping News

March 4, 2024

<https://www.hellenicshippingnews.com/us-gas-prices-to-be-increasingly-linked-to-international-markets-through-lng/>

LNG EXPORTS HAVE RAISED NATURAL GAS PRICES FOR U.S. HOUSEHOLDS

Clark Williams-Derry, Institute for Energy Economics and Financial Analysis

November 30, 2023

<https://ieefa.org/resources/lng-exports-have-raised-natural-gas-prices-us-households>