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Written Submission to the United States Senate Committee on Energy and Natural Resources by Eurogas, at the hearing to examine the administration's pause on liquefied natural gas (LNG) export approvals and the Department of Energy's process for assessing LNG export applications.

1. Context

Europe has vastly increased its LNG imports from the United States (U.S.) since the beginning of the war in Ukraine in February 2022. There is a stated European Commission policy ambition to substitute Russian supplies of natural gas to Europe before the end of the decade. Eurogas supports this objective. The route to reduce Russian gas consumption that is preferred is to bring more non-Russian origin gas and U.S. LNG, to Europe, as was agreed between President Biden and President Von Der Leyen. In March 2022 a joint statement of the White House and the European Commission confirmed that until at least 2030, approximately 50 billion cubic meters (bcm)/year of additional U.S. LNG would be provided for Europe.

There are few alternative suppliers of LNG that could contribute as much as the U.S. to this objective to be independent from Russian gas.

The pause of the U.S. permitting procedure by the Department of Energy will reduce the likelihood of the agreement for 50bcm of extra LNG per year for Europe being honoured, and subsequently cause a loss of confidence in the U.S. as a strategic partner for energy security in Europe.

2. Reducing Russian Gas Demand in Europe

It is a clear priority for Europe to reduce Russian imports, given that these imports provide hard capital for the Kremlin's Ukraine war chest. As stated above the objective is to be independent of Russian gas by 2027 in Europe, given that we are heavily impacted by the war in Ukraine – with over 4 million Ukrainian refugees being housed across Europe as of the start of this year according to the United Nations. As frontline supporters of Ukraine, it is important that the U.S. and Europe remain aligned and committed on all elements of our relationship – including supply of LNG.

In 2021 Europe consumed about 155bcm of Russian gas. Working with allies and reducing gas and electricity demand has seen that figure fall to about 49bcm of imports in 2023. Conversely U.S. LNG has risen from around 22bcm imported to Europe in 2021 to 60bcm in 2023, according to our market data provider Keplr. This is about 17% of overall demand in 2023, up from 14% in 2022. This effort is not yet meeting the target of an additional 50bcm of U.S. LNG to Europe, a commitment in the U.S. – EU Energy Security Taskforce launch statement in March 2022, but the trajectory is growing strongly.

However, while piped Russian gas use is declining rapidly in Europe, Russian LNG is growing in volume imported to the European Union and United Kingdom (U.K.) from 18.6bcm in 2021 to 22.5bcm in 2023. This is despite the U.K. ban on Russian LNG imports that has been in place since January 2023. It is possible to conclude that outside of the UK the import of Russian LNG has been growing. Therefore, the dependency on Russian gas, albeit significantly reduced, is maintained, with a potential to grow in the near future, if we do not have alternative suppliers of LNG. As a result, the

EU remains vulnerable to the threat that Russia could, at any time, decide to halt all remaining natural gas exports to the region. This vulnerability highlights the critical need for the EU to continue to work with the U.S. for the mid to long term, as well as at this immediate point. U.S. LNG is a core pillar of EU energy security now and we need a stable regulatory framework to allow the relationship to continue to grow, so that we can achieve our stated aims in Europe and by the U.S.

EU countries have reduced gas demand by 19% between August 2022 and January 2023 according to the European Commission. This decline led to the destruction of some industries and jobs, with all the social consequences that entails. There is little room for further immediate gas demand reductions, given efficiency measures have already been maximised in most European industries. In Eurogas we support gas demand reductions due to the war, but also recognise that this route to reduce dependence on Russian gas has mostly run its course.

There is clearly a demand for LNG in Europe, as we move away from Russian piped gas. We still have 50bcm of Russian gas even with 60bcm of U.S. LNG entering Europe in 2023. There is a high risk of a supply gap in Europe: while it has so far been avoided this year, thanks to preventive measures and mild weather, the equilibrium remains fragile. This equilibrium will be further challenged due to the growth in other regions of the world's LNG demand. For example, China regained its position as the world's main LNG importer in 2023, despite upward pressure on prices. There is the potential to reach historical high demand for LNG in the near future, which could starve Europe of available volumes. Clearly we will need more LNG to avoid a supply imbalance in the coming years. This is where we see an important role for the U.S. to help Europe resupply its natural gas and LNG needs.

3. United States LNG Import Potential for Europe

The U.S. is one of only two potential sources for providing the volumes of LNG that Europe needs to become independent from Russian gas as soon as possible, the other possibility is Qatar. In the U.S. the pause in licensing affects around 50bcm of projects that are awaiting a green light from the Department of Energy to start construction. We are aware that not all the capacity that is being built will be destined for Europe, clearly U.S. market actors have contracts with customers in Asia and Latin America. However, if that capacity does not come online in the next 2-3 years, then there is likely to be a shortfall of LNG in Europe and possibly globally.

A shortfall in LNG deliveries can result in the type of price chaos we have seen in 2022 in Europe, when prices of electricity (being linked to gas due to the high level of gas consumption in power production in Europe) and gas rose with alarming rapidity due to the Russians vastly reducing gas supply to Europe. Having lived through this, we know that this impacts the weakest parts of society the most given their limited financial capacity. We also saw a very negative impact on industry and commerce, with an estimated 24% of the natural gas demand reduction achieved in 2022 due to production curtailment and fuel switching according to the International Energy Agency. As for other sectors, while it is unclear how much of that demand destruction will be permanent, we can see a slow recovery of the sector, indicating permanent damage has been done to the E.U. economy. Therefore, from a societal and industrial perspective we still have a strong need for U.S. LNG in the mid and long term.

4. Long Term Contracts for LNG between the United States and Europe

It is important that the LNG trade between the U.S. and Europe remains stable, reliable and honest. In the aftermath of the shock of the Russian war on Ukraine, the countries of Europe are counting on the U.S. to work with them to provide affordable and reliable energy. Many of the LNG gasification

terminals built in Europe, particularly in Germany, have been done so under the conviction that U.S. LNG will be available and delivered to Europe. In Germany gasification capacity for LNG imports went from zero to 44.5bcm in 22 months between February 2022 and December 2023, very specific emergency legislation was introduced to make this feat possible. It is therefore clear that Europe wants to work with the U.S. on LNG and will be a demand centre for years to come.

A number of long-term contracts have been signed between U.S. LNG suppliers and European off takers, which have underpinned the development of some of the infrastructure in the U.S. While North America is leading the contracting activity from a supplier's perspective, Europe was the second main buyer in term of contracting activity. This is a trend that looks set to continue as European companies will increasingly engage the U.S. for gas supply in the coming years notably to reduce spot exposure.

The pause and review undertaken by the Department of Energy threatens to derail some of the confidence in this process, as it appears that the U.S. is not as committed as it was two years ago to delivering the LNG that Europe needs. This will impact the development of business between Europe and the U.S. and could force European companies to continue to depend on Russian supplies.

Given that Qatar is the only other notable supplier of LNG that would have volumes available in the same period, European companies would try to source supplies there. This is not without risk as much of the extra volume is already tied up in long term contracts with China and other Asian countries. Accessing this LNG is therefore uncertain, while we must not forget the virtues of working with a like-minded ally like the U.S. on European energy security.

US LNG also offers a way to create jobs and develop economic activity in the US and economic analysis (such as NERA Economic Consulting studies for the DOE in 2018 & 2023) conclude that there is almost no link between the level of US LNG exports and domestic US gas prices.

5. Methane Emission Reduction

The expansion of US LNG exports to the European Union aligns with the shared climate objectives of the US and the EU, notably through our commitment to implementing ambitious policies aimed at reducing methane emissions from the gas sector. These policies underscore our mutual recognition of the need for cleaner energy solutions. By focusing on reducing the environmental impact of natural gas, including stringent methane emission mitigation, the US and EU are working together to ensure that LNG serves as a more sustainable bridge fuel. Many other natural gas exporting countries are yet to adopt equally ambitious methane emission mitigation policies. Strong and reliable gas trade between the US and the EU therefore not only addresses immediate energy security concerns but also reinforces our longer-term climate goals. Working with the U.S. as a likeminded country we are convinced that Europe and the U.S. can have the cleanest gas possible.

We are committed as a sector to reduce methane emissions from natural gas operations. Eurogas is a member of the Methane Guiding Principles and counts a number of methane emission reduction technology providers in its membership.

6. Conclusion

It is for all the reasons outlined above that we are keen that the pause in the Department of Energy permitting process and review is concluded as quickly as possible. The psychological imperative of the message that is sent is more damaging than the impact on the gas market today, in the sense that it makes the U.S. look unstable as an ally or even noncommittal to supporting Europe at this

time of war. This reduces confidence in the U.S. as a strategic partner and ally. Eurogas believes strongly that the U.S. and Europe should work together to deliver the missing volumes of gas that Europe will need to be independent of Russian natural gas imports.

Failing to have enough U.S. LNG in the market in 2026, 2027 and 2028 could result in increasing risk and prolonging the global supply imbalance. It is therefore important that the Department of Energy reconsiders the pause, as soon as possible, to ensure that we do not end up short of supply at a time when we need to have independence from Russian energy imports.