

Hudson Institute

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The Honorable Jeff Duncan
Congress of the United States
House of Representatives
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515-6115

Via email: Kaitlyn.Peterson@mail.house.gov

Dear Chairman Duncan,

Please find attached my responses to the questions for the record stemming from the February 6, 2024, hearing before the Subcommittee on Energy, Climate, and Grid Security on President Biden's LNG export ban.

Sincerely,



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The Honorable Cathy McMorris Rodgers

1. President Biden's decision to halt consideration of new U.S. LNG export licenses sends the wrong signal to American allies while our adversaries, China, Russia, and Iran seek to gain leverage.

a. The U.S. is Europe's primary LNG supplier, yet Europe still relies on Russia for both pipeline and LNG exports. How does the Biden Administration's LNG export ban undermine U.S. support for Ukraine and our European allies?

This Biden Administration decision is, unfortunately, very counterproductive. Europe can only fulfill ten percent of its domestic natural gas needs. The remaining ninety percent must come from sources outside of Europe, meaning realistically from Russia or the U.S.

Russia's brutal invasion of Ukraine left European countries with a difficult choice: Keep purchasing Russian gas or stop providing the Kremlin with fiscal resources to wage war. While not without exceptions, Europe dramatically reduced the flow of Russian gas to the continent. This action has helped constrain the Kremlin's ability to wage war. Simultaneously, Russia has used energy as a weapon, attempting to blackmail countries (including Ukraine) for two winters.

With new and rerouted infrastructure, Europe is better prepared today than ever since World War II to finally rid itself of Russian natural gas. However, that success depends on the U.S. remaining a reliable trading partner. This de facto ban undermines that effort and calls into question the U.S.'s ability to fulfill contracts. With Europe's industrial sector weakened, any amount of indecision to fully support Europe's natural gas requirements is a substantial foreign policy misstep. It is also important to note that Europe will need more, not less, natural gas as it rebuilds the continent's defense industry, which is crucial to meeting the challenges posed by Russian aggression.

Finally, this ill-advised and short-sighted decision has also directly impacted other businesses and, most importantly, the price of heating for almost all Europeans, including those retirees on fixed incomes who have seen energy prices more than quadruple.

Thankfully, American LNG is reducing volatility and prices while increasing energy security and stability, which was positively felt throughout Europe until this decision was announced.

b. Japan is the second largest purchaser of LNG behind Europe. How does the Biden Administration's LNG export ban affect regional stability and American interests in Asia?

This export ban sends a weak signal to adversaries, chief among them is China. It calls into question American resolve to make good on economic commitments. I also believe, by extension, it calls into question America's deterrence against continuing and ever-increasing belligerent behavior by the Chinese Communist Party.

According to the International Energy Association (IEA), Japan's natural gas production is "very limited, bringing the dependence on imports to over 90%."¹ Japan's imports require thirty-seven LNG import terminals. Any indication that America may not be able to meet Japan's requirements sends a signal of weakness to our enemies and forces Japan to seek assurances elsewhere.

By extension, other allies are watching this decision quite closely. They are also wondering aloud if American geopolitical interests and security policies will be based on the non-scientific whims of elitists and progressives.

The Honorable Robert E. Latta

- 1. Republicans and Democrat Administrations agree that U.S. LNG exports serve in the "public interest" of the United States and our allies. Can you elaborate how this recent decision from the Biden Administration is counterproductive not only for America but the globe?**

American energy independence is one of our greatest strengths. The United States has reworked the world's energy map and is responsible for the hopes and dreams of millions. Whether in Europe, where people are still reeling from artificially high prices because of Russian aggression, or in developing countries struggling for a better quality of life. American energy is helping to power the world by bringing security to people on every continent. No longer are countries dependent upon authoritarian regimes and cartels for energy. Energy markets are more competitive than ever, and Americans have also dramatically benefited from lower energy costs.

Like exporting any other commodity, sales of American LNG have uniformly been held to be in the public interest for us and our allies, many of whom lack access to affordable energy. Some, like Japan, lack access to domestic energy at any price. American LNG is also exported to Latin America. It should be easy to see that American Energy is a strength for millions around the globe. Like natural gas, U.S. energy is produced more cleanly and safely than in any other country. Without access to American LNG, countries

¹ <https://www.iea.org/articles/japan-natural-gas-security-policy#>.

will either burn natural gas supplied by countries whose environmental and human rights records are suspect or, even worse, the absence of natural gas will result in countries reverting to dirtier fuel sources.

We know this because the world continues to use more, not less, energy. Thus, this short-sighted policy, which I think most see as an unfortunate election-year policy coming on the heels of COP-28, is bending to a small minority on the far left.

2. Do you believe the need for U.S. LNG from our allies in Europe and Asia will continue to rise?

Yes, energy requirements are forecast to rise globally by 50% by 2050. Last fall, the EIA also said that these increases will outpace advances in energy efficiency. Rising populations, developing countries, and advances in technology will continue. At no point in history has the world ever used less energy, only more². According to government and international statistics, the amount of natural gas required will continue to grow and does not show any evidence of decreasing past 2050.

3. How might the resumption of LNG exports positively impact the balance of trade and contribute to the overall economic competitiveness of exporting countries?

Energy markets are more competitive than ever, directly translating into improved economic conditions for all countries. After raw materials and labor costs, energy is generally considered the most significant cost component in producing goods. America has significantly benefited from lower energy costs, helping to reverse our trade deficit by bringing money back into the country. Encouraging American energy exports benefits us here at home, such as producing a tractor or an automobile for export.

It should also go without saying that one of the primary functions of diplomacy and foreign policy between governments is to encourage and promote economic trade because it benefits all trading partners.

² Except for 2020-2021 (Covid). See also, <https://ourworldindata.org/grapher/global-primary-energy>