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UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY AND CARBON MANAGEMENT

Gulfstream LNG Development, LLC | Docket No. 23–34–LNG

Motion to Intervene and Protest of Public Citizen, Inc.

Gulfstream LNG, presently owned by a single individual, Vivek Chandra, seeks authorization to export 237.5 Bcf/year of LNG to non-Free Trade Agreement (FTA) countries from its proposed export terminal on the west bank of the Mississippi River in between the communities of West Pointe à la Hache and Diamond in Plaquemines Parish, Louisiana.

The U.S. Department of Energy is tasked by Congress to only permit exports of natural gas to non-FTA countries which are "not inconsistent with the public interest."[1] The U.S. Supreme Court noted that the "primary aim" of this 85-year-old law is "to protect consumers against exploitation at the hands of natural gas companies".[2]

The application must be denied because it is not consistent with the public interest. The applicant relies on an obsolete and discredited 2018 macroeconomic study that fails to accurately measure the disruptive impact record natural gas exports are having on U.S. energy markets that are negatively impacting American consumers. Furthermore, the application's assertions that authorizing its requested level of exports will bring domestic and international benefits are unsupported.

Motion to Intervene

Public Citizen, Inc. moves to intervene in this proceeding. Established in 1971, Public Citizen, Inc. is a national, not-for-profit, non-partisan, research and advocacy organization representing the interests of household consumers. We have over 500,000 members and supporters across the United States. Public Citizen is active before the Federal Energy Regulatory Commission promoting just and reasonable rates, and supporting efforts for utilities to be accountable to the public interest. We frequently intervene in U.S. Department of Energy proceedings involving the export of electricity and natural gas. Our Energy Program Director, Tyson Slocum, is an expert on energy market regulatory matters, serving as an expert witness on the Department of Energy public interest standard in testimony before the U.S. Congress in February 2023.[3] Slocum also serves on two federal advisory committees of the U.S. Commodity Futures

[1] 15 USC § 717b(a).
[2] FPC v. Hope Nat. Gas Co., 320 U.S. 591 (1944).
[3] www.citizen.org/article/house-testimony-energy-legislation/

Trading Commission (the Energy and Environmental Markets and Market Risk advisory committees). Financial details about our organization are on our web site.[4]

Gulfstream LNG's Exports Are Not Consistent With The Public Interest As They Will Exacerbate Domestic Supply Shortages And Threaten Higher Domestic Energy Prices

Gulfstream LNG's application claims that its requested export authorization is consistent with the public interest, in part because of the conclusions of DOE's macroeconomic study conducted during the Trump Administration.[5] Not only is this 2018 study discredited, but an updated analysis by the U.S. Energy Information Administration, released just days ago, concludes that increased LNG exports directly result in higher energy prices for American consumers: "higher LNG exports create a tighter domestic natural gas market (all else held equal), increasing domestic natural gas prices".[6] Utilizing the data in this new LNG report, Public Citizen calculates that domestic consumers will face $14.3 billion in higher annual natural gas costs in 2050 as a result of LNG exports—including those proposed by Gulfstream LNG.[7]

Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports—sited by applicants as evidence that their requested natural gas exports will be consistent with the public interest—was prepared by NERA Economic Consulting for DOE.[8] This study has aged poorly, as it assumed that consumer welfare—which it defines as the present value measure of the standard of living of all U.S. households—was directly and beneficially linked with higher LNG exports.[9] The 2018 study gave only a 3% probability that significant LNG exports would result in domestic prices above $10/MMBtu, concluding that "increasing U.S. LNG exports under any given set of assumptions about U.S. natural gas resources and their production leads to only small increases in U.S. natural gas prices."[10] Furthermore, the study claims that "as U.S. LNG exports increase … households who hold shares in companies that own liquefaction plants receive additional income from take-or-pay tolling charges for LNG exports. These additional sources of income for U.S. consumers outweigh the income loss associated with higher energy prices."[11]

This 2018 study not only is contradicted by EIA's 2023 report, but by recent data. In 2023, the United States is the world's largest natural gas producer *and* exporter. Sixty

[4] www.citizen.org/about/annual-report/
[5] *Application*, at page 9.
[6] *Effects of Liquefied Natural Gas Exports on the U.S. Natural Gas Market,* May 23, 2023, at page 7, www.eia.gov/outlooks/aeo/IIF_LNG/
[7] Using price differential between High LNG Case and Fast Builds Plus High LNG Price in 2050, and applying that to domestic demand (leaving out exports and pipeline fuel).
[8] www.energy.gov/sites/prod/files/2018/06/f52/Macroeconomic%20LNG%20Export%20Study%202018.pdf
[9] At page 20.
[10] At page 55.
[11] At page 67.

percent of our domestically produced petroleum is now exported,[12] and 20% of our natural gas is now allocated for export.[13] These numbers will only increase as domestic demand continues to flatten and export infrastructure capacity continues to expand. While oil markets—and domestic gasoline prices—have long been directly influenced by global calamities, natural gas had been insulated from upheaval beyond our shores because until 2016 we lacked LNG export capacity. But LNG exports now for the first time in history directly tether American consumers to global disruptions, radically upending domestic energy markets, and forcing American families to compete with Berlin and Beijing for U.S. produced energy. Natural gas exports are directly responsible for Americans paying higher prices to heat and cool their homes.

The United States is far and away the world's largest natural gas producer, accounting for 25% of global production every day—producing as much as the next two biggest (Russia and Iran) *combined*,[14] with U.S. production reaching an all-time high in 2023.[15] At the same time, natural gas exports have exploded. Exports via pipeline to Mexico and Canada, combined with LNG exports by ship account for 20% of domestic gas production—up from 6% in 2015, establishing the United States as the world's largest LNG exporter.[16]

These record exports have come with a tragic cost: American households, power producers and other consumers are now forced to directly compete with their counterparts in Berlin and Beijing, which has globalized domestic benchmark prices, exposing Americans to higher prices and increased volatility.[17] Spot benchmark natural gas prices on the west and east coast United States have been higher than prices in Ukraine.[18] U.S. natural gas price volatility is at the highest levels since the 1990s.[19] Of course, extreme price volatility means that prices whipsaw up and down—so just because prices right now may be low, increased LNG exports threaten higher prices.

The Federal Energy Regulatory Commission's 2022-23 *Winter Energy Market and Reliability Assessment* concludes 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 . . . the expansion of LNG export capability has integrated formerly disparate North American regional natural gas markets into the global market . . . In New

[12] https://twitter.com/TysonSlocum/status/1617998886660112384
[13] www.citizen.org/article/letter-to-dept-of-energy-to-protect-consumers-from-lng-exports/
[14] www.eia.gov/international/data/world/natural-gas/dry-natural-gas-production
[15] www.eia.gov/dnav/ng/hist/n9010us2m.htm
[16] www.eia.gov/todayinenergy/detail.php?id=53159
[17] "Surging US LNG exports hike domestic gas prices amid global supply crunch," www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/surging-us-lng-exports-hike-domestic-gas-prices-amid-global-supply-crunch-67508815
[18] See www.eia.gov/todayinenergy/detail.php?id=55279 and www.naturalgasintel.com/haynesville-output-to-top-16-bcf-d-as-total-lower-48-production-continues-to-climb/
[19] David Uberti and Ryan Dezember, "Why Gas Bills Are Going Crazy—With No End in Sight," *The Wall Street Journal*, March 15, 2023, www.wsj.com/articles/natural-gas-prices-energy-bills-ea3ea9da

England, high global LNG prices are contributing to higher winter natural gas futures prices."[20]

USA Today reports that record LNG exports are directly contributing to punishing high energy bills for American families.[21]

The *Wall Street Journal* reports "that natural-gas exports are pushing domestic prices higher . . . The pinch shows a growing tension between exporters and buyers who have enjoyed cheap gas for more than a decade. Some manufacturing and chemical companies have built entire businesses around low U.S. gas prices . . . Utilities from the Pacific Northwest to New England have filed regulatory requests to raise rates for natural gas this winter, citing a supply squeeze as a result of higher global demand . . . the U.S. is exporting a larger share of its natural gas than it ever has and shale producers aren't quickly ramping up in response to high prices . . . some of the biggest natural-gas producers have vowed to keep investments in production growth low."[22] Therefore so-called capital discipline is keeping a check on domestic production not rising on pace with exports in order to ensure domestic producers will enjoy higher prices.

Natural gas futures fell 25% after the June 8, 2022 explosion took the Freeport LNG export terminal out of commission, as traders understood that reduced natural gas exports would result in increased supply for American consumers.[23]

These high prices are creating significant economic hardship for tens of millions of American families. Twenty-six percent of respondents to a U.S. Census Bureau survey taken in the summer of 2022 said they had forgone necessities like food or medicine to pay their energy bills sometime during the preceding year.[24] Rising energy costs—anchored by higher natural gas prices stemming in part from record LNG exports—are the biggest factor driving inflation in the U.S.[25]

Gulfstream LNG's Claims of Job and Tax Benefits Are Speculative And Unsupported

Gulfstream LNG's application claims that its job creation and tax benefits satisfy the Natural Gas Act's public interest test:

[20] https://ferc.gov/media/report-2022-2023-winter-assessment
[21] Medora Lee, "Electricity bills may continue to shock you even as overall inflation eases", January 24, 2023, www.usatoday.com/story/money/personalfinance/2023/01/24/electricity-prices-inflation/11089430002/
[22] Collin Eaton and Katherine Blunt, "Natural-Gas Exports Lift Prices for U.S. Utilities Ahead of Winter," November 7, 2021, www.wsj.com/articles/natural-gas-exports-lift-prices-for-u-s-utilities-ahead-of-winter-11636281000
[23] Ryan Dezember, Natural-Gas Prices Plunge After Extended Outage at Texas LNG Facility, The Wall Street Journal, June 14, 2022, www.wsj.com/articles/natural-gas-prices-plunge-after-extended-outage-at-texas-lng-facility-11655235895
[24] www.census.gov/data/tables/2022/demo/hhp/hhp48.html
[25] www.bls.gov/cpi/

> *Gulfstream LNG estimates that at its peak, more than 500 onsite engineering and construction jobs will be created during the design and construction period for the Project. Furthermore, hundreds of offsite jobs will be created to support the design, fabrication, and construction of these facilities. Once constructed, the Project is expected to create approximately 150 new permanent positions to manage the company and operate the facilities. A large number of new American jobs will be indirectly created by production of natural gas required to feed the Project and by the associated maritime operations resulting from the Project.*[26]

But Gulfstream LNG provides no documentation of how it derived its estimate of "500 onsite engineering and construction jobs", and offers no estimate of the exact economic impact. Likewise, Gulfstream LNG offers no detail of its claimed "150 new permanent positions", including expected salaries. Furthermore, Gulfstream LNG does not attempt to quantify its claim of a "large number of new American jobs will be indirectly created". Without any documentation or analyses to back up any of these claims, the Department of Energy cannot accept such vague statements to satisfy the law's public interest requirement.

Similarly, Gulfstream LNG's claim that its export facility is "expected to generate revenues for state and local municipalities and their residents through additional income tax, state and local sales tax and use taxes as the company and its workers spend money on services and supplies, and as property subject to a use tax is brought into the state" makes no effort to quantity these purported tax benefits. Indeed, as is often the case with large industrial development, companies like Gulfstream LNG are routinely able to pressure local taxing authorities to significantly reduce or eliminate tax liability. For example, Cheniere's Corpus Christi LNG export facility has obtained $172 million in local property tax reductions.[27] Gulfstream LNG's application is silent on whether it will pledge to not seek any tax breaks for its planned facility.

Until Gulfstream LNG amends its application to detail job and tax benefits, its vague claims cannot be considered to meet the Natural Gas Act's public interest requirement. In addition, per 10 CFR § 590.305, we request that Gulfstream LNG provide access to confidential Exhibit A, the Ground Lease and Joint Development Agreement between Gulfstream LNG and the Louisiana 23 Development Company.

Gulfstream LNG's Additional Equity Partners Are Unknown, And Therefore Any Public Interest Determination of Investor Benefits Cannot Be Considered

Gulfstream LNG's application lists a single individual as its owner. This one individual does not possess the billions of dollars necessary to finance its planned LNG export facility. In a recent media interview, Gulfstream LNG's sole owner explained that he is

[26] *Application*, at page 10.
[27] Elliott Woods, "Critics say state tax break helps petrochemical companies and hurts public schools," *The Texas Tribune*, February 2, 2023, www.texastribune.org/2023/02/02/texas-tax-break-chapter-313/

"progressing" on "discussions with potential equity investors".[28] As a result, the additional required equity partners are presently unknown, and therefore the net economic benefits cannot be calculated, as the equity partners financially benefiting from the project could be located in China or other nations other than the United States. Until more detail is provided on the additional equity partners, the Department of Energy cannot assess whether the application is consistent with the public interest.

LNG Exports Are Exacerbating Global Energy Insecurity

The Gulfstream LNG application claims that its proposed natural gas exports will provide international benefits, siting a 2013 DOE study, the 2022 Russian Federation's invasion of Ukraine, and a study produced by the American Petroleum Institute.[29]

But U.S. LNG exporters and energy traders are exploiting the war in Ukraine by price-gouging: many U.S. LNG sales to Europe are at prices above existing European benchmarks, with traders boasting of net profits in excess of $200 million per LNG shipment.[30] European Union leaders have criticized the U.S. for allowing a "double standard" of selling cheaper U.S. gas at much higher prices to Europe.[31] Indeed, Europe has responded with permanent natural gas demand destruction, particularly for its industrial sector.[32]

Prioritization of U.S. LNG exports is a zero-sum game, as cargoes directed to Europe come at the expense of the global south, where nations like Pakistan and Bangladesh experience rolling blackouts as they get outbid by Europe for fuel.[33] Indeed, Bangladesh is suffering its worst energy crisis in more than a decade as it is priced out of the LNG market, and forced to increase reliance on coal and oil for electricity.[34] It is not consistent with the public interest to allow a handful of LNG companies and financial traders to engage in unregulated price gouging while European and American households struggle to make ends meet.

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[28] "Gulfstream LNG Advances Project Development," February 23, 2023, www.hartenergy.com/exclusives/gulfstream-lng-advances-project-development-204252
[29] *Application*, at pages 10-11.
[30] Harry Robertson, "Energy traders are making a killing exporting US natural gas to Europe," *Business Insider*, August 13, 2022, https://sports.yahoo.com/energy-traders-making-killing-exporting-080000801.html
[31] Ania Nussbaum, "Macron Accuses US of Trade 'Double Standard' Amid Energy Crunch," Bloomberg, October 21, 2022, www.bloomberg.com/news/articles/2022-10-21/macron-accuses-us-of-trade-doublestandard-amid-energy-crunch
[32] Priscila Azevedo Rocha, "Weak European Industry Is Keeping Gas Demand Depressed," June 9, 2023, www.bloomberg.com/news/articles/2023-06-09/weak-european-industry-is-keeping-gas-demand-depressed
[33] Stephen Stapczynski, "Pakistan Faces Years of Fuel Shortages After Gas Tender Flop," Bloomberg, October 3, 2022, www.bloomberg.com/news/articles/2022-10-03/pakistan-fails-to-secure-lng-deal-inlatest-hit-to-fuel-supply
[34] Sudarshan Varadhan and Carman Chew, "Bangladesh's worst electricity crisis in a decade", June 7, 2023, www.reuters.com/world/asia-pacific/bangladeshs-worst-electricity-crisis-decade-2023-06-07/

Indeed, the application clearly states that "Gulfstream LNG has not to date entered into any natural gas supply or LNG contracts in connection with the Project"[35]—so it offers no evidence that its LNG cargoes will go to Europe or China, and has provided no detail on whether its planned LNG exports will arrive at destinations at price-gouging levels.

Respectfully submitted,

Tyson Slocum

Tyson Slocum, Energy Program Director
Public Citizen, Inc.
215 Pennsylvania Ave SE
Washington, DC 20003
(202) 454-5191
tslocum@citizen.org

[35] *Application*, at page 5.

VERIFICATION

Pursuant to 10 CFR § 590.103(b), I, Tyson Slocum, declare that I am Energy Program Director for Public Citizen, Inc. and am authorized to make this verification; that I have authored and read the foregoing filing and that the facts therein stated are true and correct to the best of my knowledge, information, and belief.

Pursuant to 28 U.SC § 1746, I declare under penalty of perjury that the foregoing is true and correct. Executed on June 9, 2023.

Tyson Slocum

Tyson Slocum
Energy Program Director
Public Citizen, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the applicant and intervenors for this docketed proceeding in accordance with 10 CFR § 590.107(b). Dated at Washington, DC this 9th day of June 2023.

Signed,

Tyson Slocum

Tyson Slocum, Energy Program Director
Public Citizen, Inc.
215 Pennsylvania Ave SE
Washington, DC 20003
(202) 454-5191
tslocum@citizen.org