

# Joint API-IOGP Policy Recommendations for enabling increased options for U.S. LNG in the European Union

## Introduction:

On 2 May 2019, the First EU-US High-Level Business to Business Energy Forum ‘Towards large-scale U.S. LNG exports to the EU’s gas market: competitive pricing, infrastructure investments and technological innovation’ takes place. One of the key shared objectives of the forum is discussing options for increasing the flow of U.S. liquefied natural gas (LNG) to the European Union.

The American Petroleum Institute (API)<sup>1</sup> and the International Association of Oil & Gas Producers (IOGP)<sup>2</sup> strongly support efforts to enhance the Trans-Atlantic LNG relationship. While API and IOGP highlight that commercial negotiations and discussions are best left to market participants, the oil and natural gas industry on both sides of the Atlantic strongly supports efforts to enhance market competition and remove barriers to market entry to ensure the free flow of LNG and LNG-related services between the U.S. and E.U.

To that end, API and IOGP offer the following recommendations to the High Level Conference for meaningful policy steps that could—directly and indirectly—enable greater flows of U.S. LNG to the EU, thereby supporting diversification, flexibility, liquidity and security of supply in the EU gas market.

## Summary Recommendations:

### For the United States

- **The Federal Energy Regulatory Commission (FERC) and the Department of Energy (DOE) should continue to improve their established review and permitting processes for U.S. LNG export projects and maintain transparent and consistent approval timelines.**
- **Executive branch agencies should expand their efforts to promote U.S. LNG to include EU countries, especially for those EU nations looking to diversify gas supply sources.**

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<sup>1</sup> The American Petroleum Institute (API) is the only national trade association representing all facets of the oil and natural gas industry. API’s more than 600 members include large integrated companies, as well as exploration and production, refining, marketing, pipeline, and marine businesses, and service and supply firms.

<sup>2</sup> The International Association of Oil & Gas Producers (IOGP) is the voice of the global upstream industry. Its members produce 40% of the world’s oil and gas and operate in all producing regions (more than 80% in the EU).

- Executive branch agencies should highlight existing U.S. industry standards and promote streamlined approval processes to ensure the U.S. can build critical energy infrastructure in an efficient and timely manner.

For the European Union

- The European Commission should send consistent signals expressing confidence in the medium and long-term role of natural gas (including its decarbonized form) in the EU energy mix.
- The European Commission should work further with Member States to increase interconnectivity, remove barriers to cross-border trade and support the development of liquid gas hubs within Europe.
- The European Commission should encourage public entities and businesses to use LNG and CNG in road and maritime transportation to reduce CO2 emissions and substantially improve air quality in urban and port areas.
- The European Commission should avoid setting unduly restrictive gas quality specifications that could create unnecessary barriers for LNG to enter the EU.

More detailed descriptions of the policy recommendations, and their potential impact of U.S. LNG flows to the EU, are provided below.

Detailed Recommendations for the U.S.:

**The Federal Energy Regulatory Commission (FERC) and the Department of Energy (DOE) should continue to improve their established review and permitting processes for U.S. LNG export projects and maintain transparent and consistent approval timelines.**

- For U.S. LNG export projects to be approved for construction, they must first complete a lengthy (~three year) and costly (\$50-\$100 million) FERC review process as required by the National Environmental Policy Act (NEPA). We recommend that FERC and cooperating executive branch agencies continue to enhance their review capabilities and look for opportunities to expedite the permitting process. Notably, we believe the FERC has considerable authority to do so without requiring Congressional approval.
- We encourage the FERC to consider multiple options, including expanding reliance on third-party contractors, increasing staffing levels and opening regional offices (e.g., on the Gulf Coast). Other more systemic improvements could be gleaned from the results of the NEPA review currently being undertaken by the White House Council on Environmental Quality (CEQ).

- Beyond FERC, DOE grants export approvals to countries without a free trade agreement (i.e., non-FTA countries, including all EU countries) only after an extensive adjudication process that can be duplicative and result in orders that are hundreds of pages long. We recommend DOE continue to move swiftly and ensure these permits are issued on a transparent basis with a predictable timeline.
- ***Impact on U.S. LNG Flows to the EU:*** These efforts will expedite the development of U.S. LNG export projects by reducing overall permitting time. Perhaps more critically, it will enhance regulatory certainty, which in turn encourages European LNG buyers to sign long-term offtake agreements with U.S. LNG developers.

#### **Expand promotion of U.S. LNG by U.S. governmental agencies.**

- The U.S. federal government has several agencies focused on expanding trade opportunities for U.S. companies and products. In the past few years, many have been increasingly focused on opportunities in the natural gas and LNG sector, including the U.S. Trade & Development Agency (USTDA), the Commerce Department, the Export-Import Bank and Overseas Private Investment Corporation (OPIC). We recommend the U.S. government redouble efforts and expand the focus to include members (or future members) of the EU.
- The efforts could include, among others, hosting reverse trade missions and technical workshops, offering business-to-business relationship building events and cooperating on project-specific pre-feasibility studies.
- ***The Impact on U.S. LNG flows to the EU:*** The U.S. has already established successful cooperative efforts with China and India, among other nations, that are focused on natural gas and LNG. We believe similar programs focused on E.U. members—especially those whose current gas supply options are limited—would be a strong step toward expanding and enhancing the Trans-Atlantic energy relationship. Greater engagement on behalf of the U.S. could also bolster the EU efforts to implement the energy policy objectives referenced below.

#### **Highlight existing U.S. industry standards and promote streamlined regulatory processes to ensure the U.S. can build critical energy infrastructure in a timely and efficient manner.**

- The U.S. oil and gas industry has developed some of the strictest operational standards in the world, covering the full range of the energy value chain. Executive branch agencies should continue to work with the industry to ensure much needed infrastructure projects can be permitted and constructed on a sensible timeline while still emphasizing safety and operational performance.

- **Impact on U.S. LNG flows to the EU:** By facilitating the greater buildout of domestic pipeline infrastructure, natural gas from the U.S. can be delivered to demand centers more efficiently and at a lower cost, while also reducing volatility. This in turn will encourage greater flows of U.S. gas to other markets, including LNG to the EU.

## **Detailed Recommendations for the EU:**

### **Express confidence in the future role of natural gas in the EU energy mix.**

- Natural gas investments are more likely to happen if the policy framework for natural gas is positive. The role of natural gas as a flexible source of energy that can meet demand when required should be better recognized by EU policymakers: significantly improving air quality, replacing coal to reduce power generation emissions today, and using hydrogen from natural gas with CCUS for further emission reductions tomorrow.

### **Increase market interconnectivity, remove barriers to cross-border trade and support the development of liquid gas hubs within the EU.**

- Effective implementation of the Third Energy Package and the associated gas network codes can help promote cross-border trade and efficient use of existing interconnections. Better access to the EU's most liquid gas hubs, in the north west of the EU, would provide EU Member States with access to diverse sources of gas. Well-connected and scaled-up markets in the EU create more attractive supply opportunities for LNG exporters, including from the US.

### **Eliminate regulated prices for natural gas.**

- Regulated gas retail prices distort gas market competition in the EU Member States, negatively impacting the commercial opportunities in the wholesale market. Such price regulation needs to be lifted and EU gas markets moved to market-based mechanisms in line with competition principles.

### **Support LNG in transport**

- Encourage public entities and businesses to use LNG and CNG in road and maritime transport to improve air quality, as well as actively support LNG as a bunkering fuel in European ports.
- The transport sector is the second biggest contributor to CO<sub>2</sub> emissions in the EU<sup>3</sup> - natural gas could significantly contribute to EU's efforts in enabling cleaner transport. Gas can also help the shipping industry meet more stringent emissions targets. Using LNG as

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<sup>3</sup> Communication "Delivering on low-emission mobility: a European Union that protects the planet, empowers its consumers and defends its industry and workers", COM(2017) 575

a marine transport fuel complies with the IMO's 2020 regulations and puts us on the right track to meet its 2050 objectives by reducing SOx and PM emissions by close to 100%<sup>4</sup>, NOx by 80-90% and CO<sub>2</sub> emissions by up to 21%<sup>5</sup>.

### **Avoid setting unduly restrictive gas quality specifications**

- Unduly restrictive gas quality standards could exclude certain LNG imports. We believe that quality standards across the EU should not create unnecessary barriers for gas to enter the EU.

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<sup>4</sup> <https://u-mas.co.uk/LinkClick.aspx?fileticket=yVGOF-ct68s%3D&portalid=0>

<sup>5</sup> Jingjing Xu, David Testa & Proshanto K. Mukherjee (2015) The Use of LNG as a Marine Fuel: The International Regulatory Framework, *Ocean Development & International Law*, 46:3, 225-240, DOI: 10.1080/00908320.2015.1054744; 'Life Cycle GHG Emission Study on the Use of LNG as Marine Fuel' <https://info.thinkstep.com/lng-ghg-study>