

# THE ROLE OF U.S. LNG IN REPLACING RUSSIAN GAS

**The challenge of helping our European Union (EU) allies replace the 155 bcm of natural gas they import from Russia is a massive task, and one the U.S. is well positioned to meet with the right policy environment.** Natural gas demand in the EU totaled roughly 400 bcm in 2021, and Russia was the bloc's largest single supplier of natural gas, accounting for 40% of consumption and 45% of imports of pipeline gas and liquefied natural gas (LNG).

**The continent needs to fundamentally change its current natural gas map for the EU to achieve independence from Russian natural gas while strengthening the long-term reliability, sustainability and security of its energy sector and preventing a backslide to coal.**

The ambitious goals laid out in the March 25 Joint Statement between the United States and the European Commission on European Energy Security represent a good start, but more needs to be done.

**The EU needs additional gas infrastructure investment to meet its 2030 target and beyond.** Europe's natural gas infrastructure was largely designed to move gas from east to west. Conversely, more than 40 percent of the EU's total LNG import capacity is located on the Iberian Peninsula, which has limited pipeline connectivity to the rest of the continent. While existing LNG import capacity would be sufficient to replace roughly half of the EU's pipeline imports from Russia, its pipeline network is insufficient to transport that gas to demand centers across the continent.



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# THE U.S. LNG LANDSCAPE

THE UNITED STATES IS THE WORLD'S LARGEST NATURAL GAS PRODUCER AND BECAME THE LARGEST LNG EXPORTER IN LATE 2021.

U.S. LNG export capacity will ramp up to more than 140 bcm per year by the end of 2022. While the U.S. has historically sent 30 percent of its LNG cargoes to Europe, including the United Kingdom and Turkey, that number leapt to **nearly 75 percent** during the first two months of 2022.

**U.S. LNG contracts are uniquely flexible compared to other LNG contracts, giving buyers the option to divert cargoes to other destinations depending on regional price differences.** To date, this inherent flexibility has been critical to bolstering the EU's gas supplies since the Russian invasion of Ukraine.

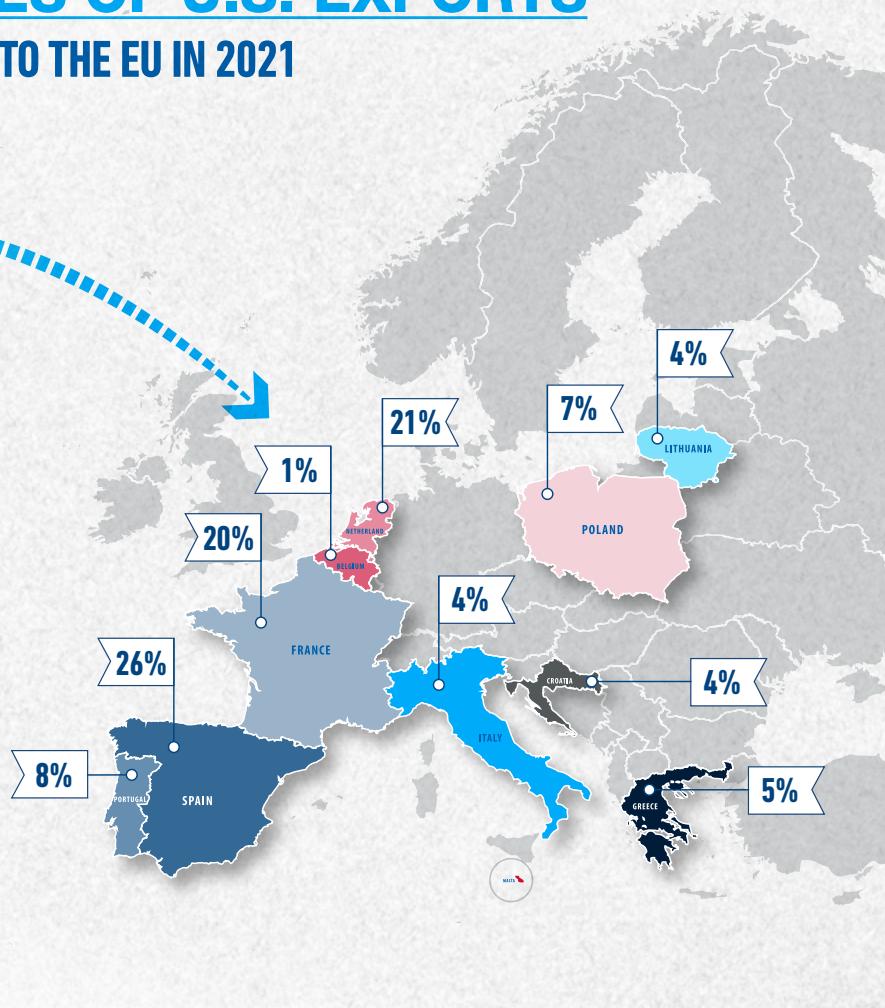
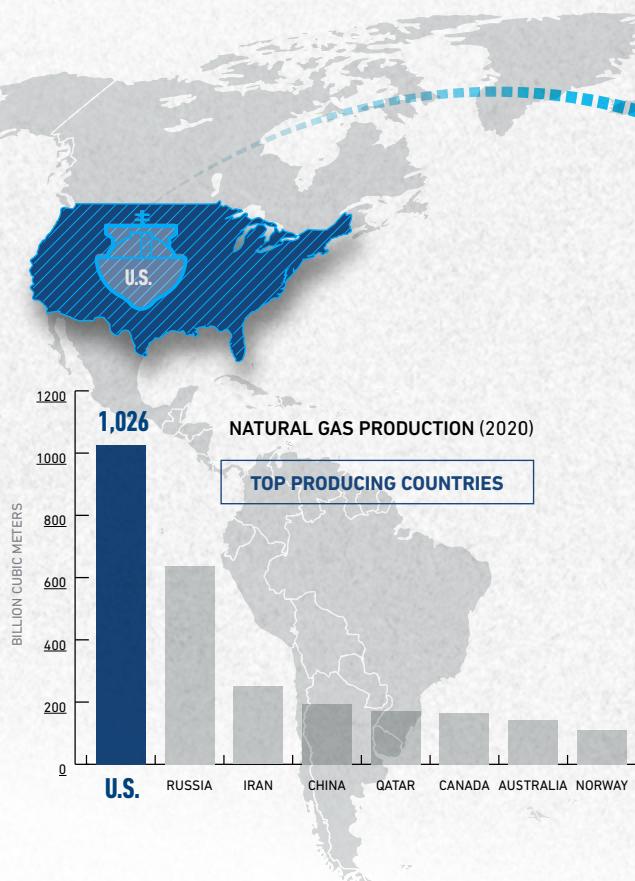
Simply relying on the redirection of cargoes to Europe to meet the additional 50 bcm per year is shortsighted and unsustainable, as is the assumption that all LNG from new U.S. export terminals will go to Europe. From 2016 to 2021, on average the EU received 20 percent of U.S. LNG exports while Asia received 43 percent.

The additional 50 bcm the U.S. has committed to exporting to the EU would nearly double the all-time high of U.S. LNG exports to the EU set in 2021 and increase the percentage of U.S. exports going to the bloc to nearly 50 percent. In the medium- and long-term, increased natural gas production accompanied by expanded pipeline and export capacity in the United States can serve to bolster the global supply of LNG.

## EU COUNTRIES' SHARES OF U.S. EXPORTS

**23.65 BCM OF U.S. LNG WAS EXPORTED TO THE EU IN 2021**

Source: The U.S. Energy Information Administration (EIA).



# INDUSTRY POTENTIAL AND CHALLENGES

The 50 bcm per year that the United States has committed to ship to the EU by 2030 is in addition to already anticipated U.S. LNG export increases, meaning the construction of additional export capacity will be required. Even prior to the Russian invasion of Ukraine, it was widely anticipated that growing demand for LNG would result in a supply-demand gap emerging by the mid-2020s, another signal that more export capacity is needed. In order to fulfill the commitment, infrastructure investment and consistent policy support is needed.

## POTENTIAL

## CHALLENGES

**UPSTREAM:** U.S. gas production must increase in order to meet the U.S. commitment to the EU, but producers need the certainty that comes with consistent, smart energy policies and a transparent regulatory process so they can make confident investments.

A surge in production can help stabilize prices, reduce reliance on imported energy, create jobs, and drive economic growth

- Department of the Interior's failure to hold quarterly onshore leasing sales as required under the Mineral Leasing Act
- Lack of coordination between the administration, FERC, USACE, and other relevant agencies to ensure all permitting processes for gas infrastructure are designed and implemented in a consistent, transparent, and timely manner

**MIDSTREAM:** The U.S. will need new pipeline capacity to transport the gas. The development of interstate pipelines has become increasingly difficult in recent years amid growing regulatory scrutiny and legal challenges. In order to achieve the goals laid out in the EU-U.S. agreement, FERC and other agencies must provide a transparent and consistent permitting process that reduces uncertainty for pipeline companies and facilitates the development of the infrastructure required to transport gas to where it's needed.

Investment in pipeline infrastructure that improves energy deliverability, relieves bottlenecks, and facilitates economic growth

- A lack of transparency and consistency at FERC, particularly in its determination of project need
- FERC acting outside the statutory authority granted to it under the Natural Gas Act
- A NEPA process that doesn't prioritize the effective and timely review of projects
- Uncertainty around the integrity of the Nationwide Permit process for natural gas and oil projects

**EXPORTS:** U.S. LNG export terminals take three to four years to build and typically begin construction only after securing sufficient financing that is supported by long-term export contracts. Most of the existing export capacity in the U.S. is committed to fulfilling contracts out to the late 2030s and early 2040s. Further, U.S. LNG export terminals also have been running at maximum volumes since late 2021, meaning no excess capacity currently exists.

Promote energy security, support U.S. allies, and create jobs

- The lack of a transparent, consistent, timely process at DOE and FERC for export project permit approvals
- Uncertainty over the willingness of international partners to finance the types of energy projects needed to achieve energy security
- The distinction between FTA and non-FTA authorizations for LNG export projects