

How Biden's legacy could stutter Trump's 'drill, baby, drill' mantra

- Biden administration study expected to be published “any day now”
- May provide grounds for legal challenges to new LNG projects if it finds US LNG exports do more harm than good
- Trump administration's approvals will stand strongest chance of uncontested approval if they take Biden-era report concerns into account

As parting gifts go, this one may come with strings attached.

Even in the dying days of his administration, US President Joe Biden could leave a few hidden tripwires for new LNG exports, experts have said.

When Republican leader Donald Trump swept to victory in the November 5 presidential election he vowed to “drill, baby, drill” and lift his predecessor's pause on US LNG exports to non-Free Trade Agreement countries post-haste.

But the speed of Trump's plans could be slowed by the Biden administration's report into the economic and environmental impact of US LNG exports, expected to be released imminently.

“If the current [Biden] administration determines that additional LNG exports are not in the public interest, this creates roadblocks for new project authorisation,” Clark Williams-Derry an energy finance analyst at the Institute for Energy Economics and Financial Analysis (IEEFA), told Gas Matters Today.

“The incoming [Trump] administration could reverse the determination. But again, if it fails to follow proper procedure it may run into more legal roadblocks that delay project final investment decisions (FID).”

In January this year, the Biden administration imposed a freeze on US LNG exports to non-Free Trade Agreement countries and said it needed to fully assess the environmental and economic impact of the trade.

The results of that study are expected to be published “any moment now”, and well ahead of Trump's 20 January 2025 inauguration, James Bowe partner at King & Spalding told Gas Matters Today.

“Assuming that the Biden administration publishes the Department of Energy's [DOE] new LNG export analyses, as expected, and those studies call into question whether increased LNG exports are in the US public interest, the analyses will present something between a bump in the road and a significant obstacle to the Trump Administration's desire to resume the processing of LNG export applications and the issuance of new authorisations to export LNG to non-FTA nations,” Bowe, who specialises in energy sector regulation, told Gas Matters Today.

The significance of the impediment “will depend on the robustness of the DOE's analyses and

the strength of the evidence they rely upon.”

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Even after Trump officially becomes president, the Biden-era published study can be used by individuals and organisations that want to oppose the approval of specific LNG projects, said [Bowe](#).

“The argument will be that it is arbitrary and capricious for the DOE to authorise new or increased LNG exports without taking into account all information bearing on the public interest determination, including information included in the Biden administration studies,” he said.

Opponents of new US LNG export authorisation are likely to file challenges via the US Court of Appeals, notably the appellate court for the District of Columbia Circuit.

In August, the same court issued an order revoking authorisation granted to NextDecade’s 27 mtpa Rio Grande LNG facility on the grounds that the US Federal Energy Regulatory Commission (FERC) should have issued a supplemental environmental impact statement, and that it failed to sufficiently consider the emissions and environmental impacts of the project.

The case was brought forward by the Sierra Club, a US environmental group.

Patience may be a virtue

Even with Trump’s pro-oil and gas administration in charge, those seeking successful US LNG export authorisations would do well to take a patient and meticulous approach, [Bowe](#) said, since US courts have taken a dim view of government agencies that ignore or fail to adequately address environmental questions in the past.

“If the [Trump] administration pushes too quickly and fails to address evidence included in the studies, its individual project approvals will be vulnerable to opponent challenges,” he said.

“Taking time to ensure that the record in the individual export proceedings can support the requested authorisation and any negative conclusions in the Biden administration studies would probably increase the likelihood that the export authorisations DOE issues under the Trump administration will survive legal challenge.”

READ Biden racing to finish LNG study before Trump inauguration – reports [2]

Once the Biden administration study is published it will be open to public comment. This process is likely to be overseen by the incoming Trump administration, which could decide either not to finalise the study, disregard it completely or revise the conclusions to be more favourable towards US LNG exports.

Regardless of which path the Trump administration takes the published study’s findings can still be used by individuals or organisations that want to challenge US LNG exports.

Financing hurdles

Harming the domestic market could also trigger opposition to US LNG exports said, [Clark Williams-Derry](#) for IEEFA, citing growing evidence that exports can hike US domestic natural gas prices, he said. Gas exports cost US consumers more than USD 100 billion in 2021 and 2022, according to IEEFA research. This was caused by the spike in European LNG demand triggered

by Russia's invasion of Ukraine.

While US LNG developers rushed to buy as much gas as their facilities could handle, US domestic gas stockpiles fell and wholesale gas prices rocketed. That increase was passed on to consumers, IEEFA said.

Even if Trump's powerful mandate means US LNG projects may have a smoother regulatory ride, rising construction costs, inflationary pressures and a shortage of labour and materials still pose persistent problems.

"We've been seeing LNG construction costs rising rapidly," Williams-Derry told Gas Matters today. "This raises questions about whether the LNG contracts that the new projects have secured will be at a high enough price to support an FID.

"Lenders will have to look carefully at the construction contracts and make a judgment about whether LNG companies are taking on too much debt without enough guaranteed revenue."

It will be interesting to see how things unfold for Venture Global's Calcasieu Pass 2 LNG project, he added. The company has hired Australian engineering firm Worley on a "reimbursable" contract, meaning it will pay for time and materials rather than a "fixed bid, turnkey" contract that most developers opt for.

Trump's tariff threats

Last year the US became the world's biggest LNG exporter, overtaking Qatar.

The massive buildout of LNG facilities in the Gulf Coast has led to a shortage of skilled labour and essential equipment such as electric motors, generators and raw materials such as cement, said Justin Dargin energy expert at the Middle East Council on Global Affairs.

He also said that Trump's policies on tariffs could create problems for future projects.

"Although Trump's policies may provide an easier path for the rise of US LNG producers, his commitment to imposing tariffs on countries not offering reciprocal trade could harm the progress the US LNG industry has been making in recent years," Dargin told Gas Matters Today. "Such tariffs could raise trade risk and create tensions with vital US LNG customers, which could bode poorly for the sector."

China is the world's largest LNG importer. On 2 December, Trump threatened to impose "100% tariffs" on Brazil, Russia, India, China and South Africa (BRICS nations) if they tried to set up a rival currency to the US dollar.

A 25% steel tariff implemented by Trump when he was in power in 2018 led to significant price increases for LNG projects, this trend could be repeated upon his return, Rystad Energy research said. – HQ

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