Interim Report

TO THE EIGHTY-NINTH TEXAS LEGISLATURE

HOUSE SELECT COMMITTEE ON PROTECTING TEXAS LNG EXPORTS

MAY 2024

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TEXAS HOUSE OF REPRESENTATIVES
INTERIM REPORT 2024

A REPORT TO THE
HOUSE OF REPRESENTATIVES
89TH TEXAS LEGISLATURE

JARED PATTERSON
CHAIRMAN

COMMITTEE CLERK
MADISON WHITE

Select Committee On
Protecting Texas LNG Exports

May 13, 2024

Jared Patterson
Chairman

P.O. Box 2910
Austin, Texas 78768-2910

The Honorable Dade Phelan
Speaker, Texas House of Representatives
Members of the Texas House of Representatives
Texas State Capitol, Rm. 2W.13
Austin, Texas 78701

Dear Mr. Speaker and Fellow Members:

The Select Committee on Protecting Texas LNG Exports of the Eighty-eighth Legislature hereby submits its interim report including recommendations for consideration by the Eighty-ninth Legislature.

Respectfully submitted,

Brooks Landgraf

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INTRODUCTION

On January 26, 2024, President Biden announced a temporary pause on new approvals of liquefied natural gas (LNG) exports to countries without a Free Trade Agreement (FTA) with the United States. In response, Speaker Dade Phelan established the House Select Committee on Protecting Texas LNG Exports to analyze the legal authorities for this federal action, assess the impacts of the pause, identify strategies to mitigate the adverse effects, and formulate recommendations for the challenges presented. On May 2, 2024, the House Select Committee on Protecting Texas LNG Exports convened a public meeting to consider the charges and hear testimony in Port Arthur, Texas. Port Arthur is the home of the Port of Port Arthur and several LNG facilities. Due to the high concentration of LNG facilities in the area, Port Arthur is uniquely impacted by the federal government's pause, but it is undeniable that the effects of this decision will be felt across the entire state. Of note, Port Arthur contains Port Arthur LNG, a natural gas liquefaction and export terminal that is currently under construction. The facility has access to the Gulf of Mexico via the Sabine-Neches ship channel and represents a $13 billion investment in new energy infrastructure. Once operational, the Port Arthur LNG Phase 1 project anticipates having an export capacity of 13 million tons per year.[1]

Liquefied Natural Gas is natural gas that has been cooled to a liquid state, usually -260°F, for shipping and storage. LNG is around six hundred times smaller as a liquid than as a gas, allowing for transportation to places without pipeline infrastructure. Upon arriving at its destination, LNG is off-loaded into the recipient's insulated storage tanks where it can be returned to a gaseous state and transported by pipeline to distribution companies, industrial consumers, and power plants.[2] Currently, there are limited short-term alternatives to natural gas as a fuel for heating and electricity generation during periods of high demand. The Department of Energy (DOE) has regulatory

authority over natural gas exports. Companies must have approval from the DOE's Office of Fossil Energy and Carbon Management (FECM) to export LNG. The Division of Regulation implements FECM's natural gas import-export regulatory program. The Natural Gas Act of 1938 (NGA), as amended, grants this authority to the DOE and, therefore, the FECM Office.

The exportation of LNG in the United States began in 2016. As of 2024 the United States has become the largest exporter of LNG, surpassing both Qatar and Australia. Texas produces more natural gas than any other state in the United States. If Texas were a country, it would be the third-largest natural gas producer in the world, and therefore, Texas plays an outsized role in the United States' exportation of LNG.[3]

As this report will show, the Biden Administration's federal permitting pause during a presidential election year appears to be purely political in nature and an attempt to disrupt Texas' booming economy, now the eighth largest economy in the world. It has caused long-term uncertainty for both investors and allied nations around the world relying on American energy, particularly in Europe as they seek to wean themselves off Russian natural gas. After multiple studies across Democratic and Republican presidential administrations, it is abundantly clear American LNG is in the best interest of the Texas economy, local communities, our national security, and global energy security.

The following report provides the legal, environmental, social, and economic justifications to protect these invaluable exports from imprudent government regulation.

INTERIM STUDY CHARGES

CHARGE I: ANALYZING THE APPLICABLE LEGAL AUTHORITIES	Analyzing the applicable legal authorities under which the federal action was taken, including the Natural Gas Act of 1938, as amended (15 U.S.C. §§ 717 to 717z), and the Administrative Procedure Act, as amended (5 U.S.C. §§ 551-559).
CHARGE II: ASSESSING THE POTENTIAL ECONOMIC, ENVIRONMENTAL, AND SOCIAL HARMS	Assessing the potential economic, environmental, and social impacts of such federal action on the state
CHARGE III & CHARGE IV: MITIGATION AND RECOMMENDATIONS	Identifying strategies to mitigate all adverse effects on the LNG industry. Texas's energy sector. and the state's economy as a whole; and Formulating recommendations for legislative, policy. or other remedial actions to address the challenges posed by the federal suspension of LNG export permits.

CHARGE I: ANALYZING THE APPLICABLE LEGAL AUTHORITIES

Analyzing the applicable legal authorities under which the federal action was taken, including the Natural Gas Act of 1938, as amended (15 U.S.C. §§ 717 to 717z), and the Administrative Procedure Act, as amended (5 U.S.C. §§ 551-559).

THE NATURAL GAS ACT OF 1938

The Natural Gas Act of 1938 (NGA) charges the Department of Energy (DOE) to regulate the LNG industry. Enacted during a time of rapid natural gas development and concerns over monopolistic practices, the NGA aims to prevent anti-competitive behavior. Under the NGA, The Federal Energy Regulatory Commission (FERC) is responsible for approving the siting, construction, expansion, and operation of interstate natural gas pipelines and LNG terminals. Meanwhile, the Department of Energy (DOE), through its Office of Fossil Energy and Carbon Management (FECM), regulates the export and import of natural gas. Applications involving any of the twenty countries with which the United States has a Free Trade Agreement (FTA) are expedited, as they are automatically considered "consistent with the public interest" under § 717 of the NGA. By contrast, applications for non-FTA countries undergo a rigorous public interest review by the DOE involving economic, environmental, and national security analyses.

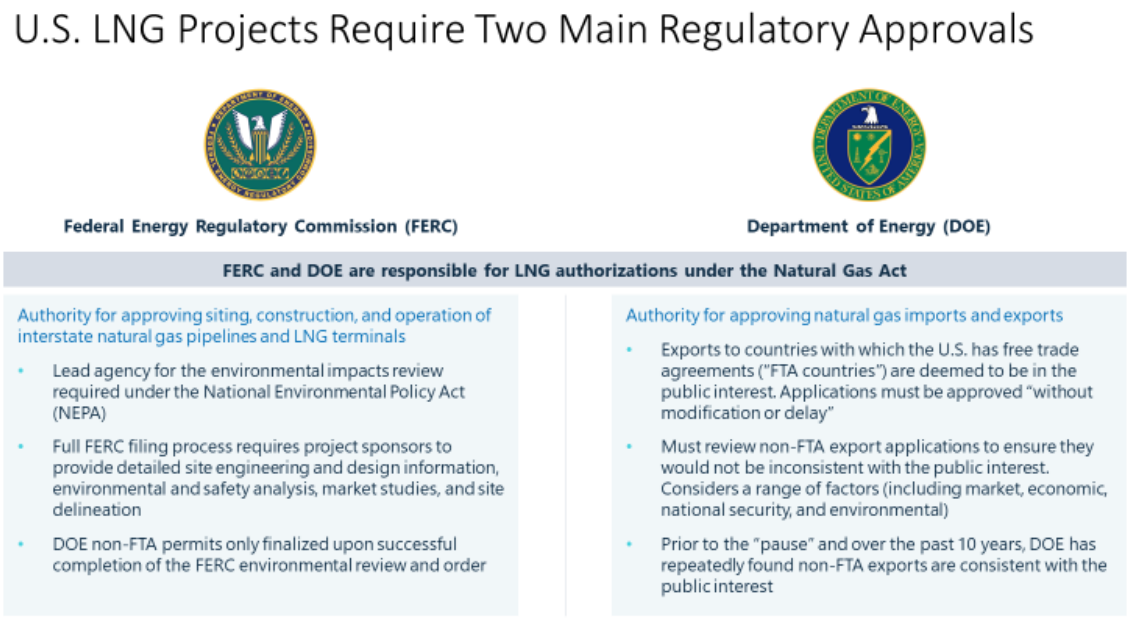

Figure 1- The above graphic compares the roles and responsibilities of the Federal Energy Regulatory Commission (FERC) and the Department of Energy (DOE)

Procedurally, FERC holds a hearing, conducts an investigation, and follows internal regulations during the application process. If FERC denies an application, any "aggrieved" party may appeal to FERC for a rehearing or to a federal circuit court, such as the Fifth Circuit Court of Appeals. FERC's broad criteria for defending the "public interest" provide several reasons for denying applications. Since the enactment of the National Environmental Policy Act (NEPA) in 1970, environmental concerns have emerged as one of many reasons for denial. NEPA requires FERC to issue Environmental Impact Statements (EIS), which assess the environmental impact of agency actions like approving the construction of LNG facilities. NEPA's language states: "An agency shall issue an environmental impact statement with respect to a proposed agency action requiring an environmental document that has a reasonably foreseeable significant effect on the quality of the human environment."[4] EIS reports, often around 150 pages, are standard for natural gas

projects. However, if the agency determines that significant effects are unlikely, an Environmental Assessment (EA), which can be up to 75 pages long, explains why an EIS is unnecessary.

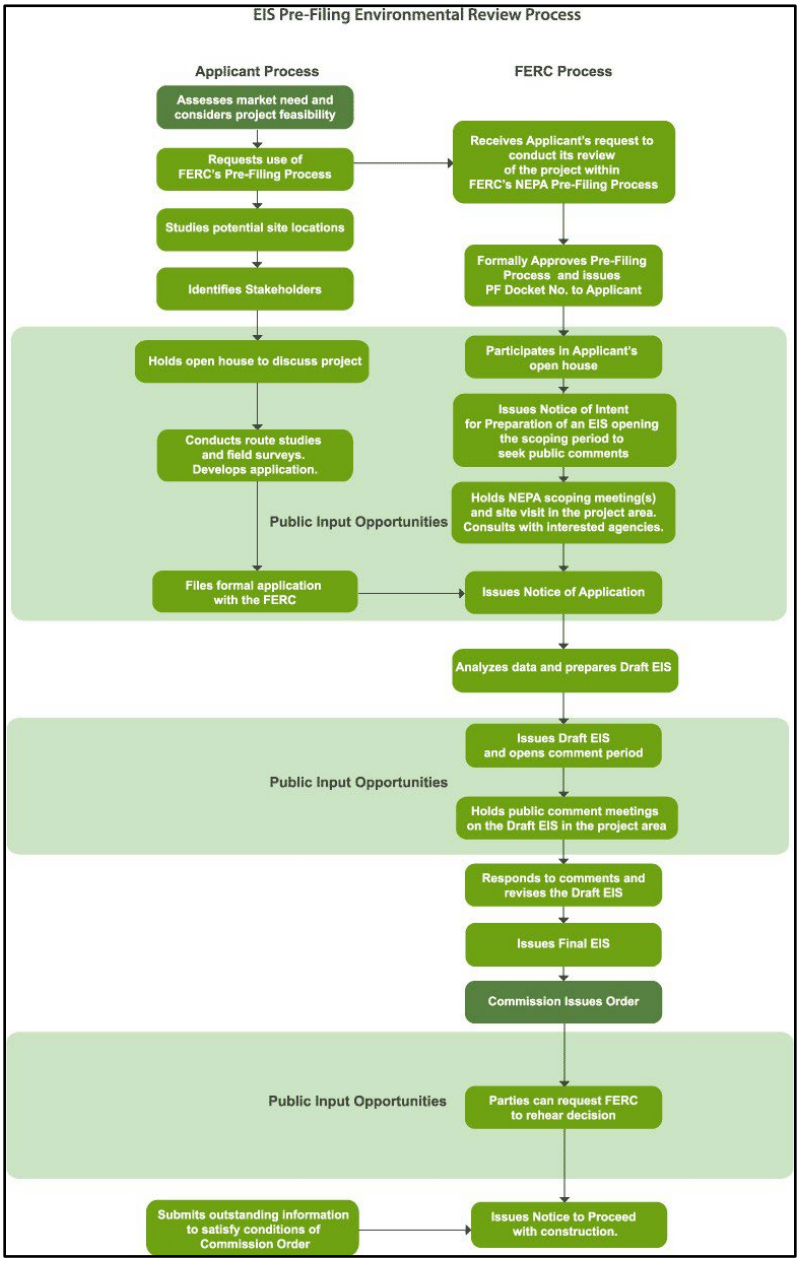

Figure 2 - EIS Pre-Filing Environmental Review Process.

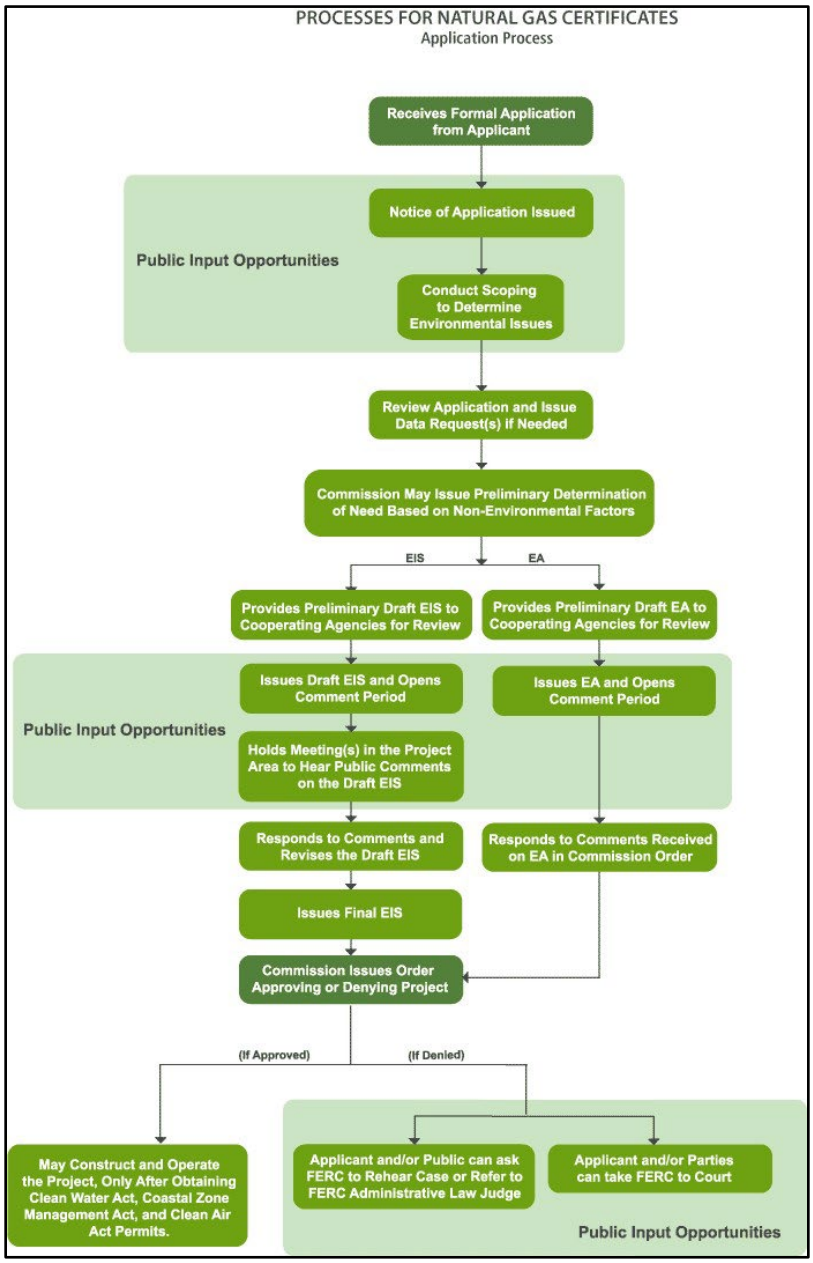

Figure 3 - FERC Application Process for LNG Companies

Courts often defer to FERC's interpretation of what constitutes the "public interest" due to the ambiguity of the NGA. This principle partially stems from the U.S. Supreme Court ruling in *Chevron U.S.A., Inc. v. NRDC, 467 U.S. 837 (1984)*. This ruling established that courts should

defer to an agency's interpretation of a federal statute if the provision in question is ambiguous. However, as of April 2024, litigation is pending concerning this doctrine of "deference."[5]

THE ADMINISTRATIVE PROCEDURES ACT OF 1946

The Administrative Procedures Act of 1946 (APA) establishes the general procedures and rules that federal administrative agencies must follow when they promulgate rules and regulations, enforce laws, or adjudicate claims.[6] This framework is designed to balance an agency's need to regulate with the necessity of ensuring fair, proper, and transparent treatment for those affected by regulations. The APA was enacted in response to the proliferation of New Deal agencies, such as the Social Security Board, Securities and Exchange Commission, and Federal Communications Commission, which had broad powers to regulate industries and adjudicate claims, often without notifying or soliciting input from those impacted.[7]

Key processes defined by the APA include:

1. **Creation of a Federal Register.** This serves as the official journal for all agency rules, proposed rules, and public notices, ensuring transparency.
2. **Notice and Comment Requirements.** Agencies must provide public notice of proposed rules and allow time for public comment, ensuring stakeholders can contribute to the rule-making process.
3. **Procedural Rules for Adjudications.** These include detailed requirements for notice, procedure, and the conduct of officers during adjudicative proceedings.
4. **Hearing and Decision-making Rules.** The APA outlines how hearings are conducted, and decisions are made, ensuring they are fair and based on a substantive record.

5. **Appeals Process.** It provides a mechanism for appealing an agency ruling, either internally within the agency or through the courts.
6. **Judicial Review**. The APA allows for court review of agency actions to ensure they comply with the law and are not arbitrary or capricious.

By specifying these procedures, the APA helps prevent potential harm that might arise from administrative overreach. Those harmed by an agency's non-compliance with these procedures can seek redress through administrative or judicial means.

PREVIOUS DEPARTMENT OF ENERGY PAUSES ON LNG EXPORTS

The Biden Administration cites changes in the global market which has not been studied by the Department of Energy since 2018, and a concurrent study on the macroeconomic study on the effects of LNG exports, as reasons why the 2024 pause is needed.

In 2018, the DOE published a study in conjunction with NERA Economic Consulting titled: "Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports."[8] In it, four main factors are outlined as influencing the "uncertainty" of LNG exportation: domestic natural gas supply, domestic natural gas demand, international supply, and international demand. They utilized five prior studies, dating back to 2012, authorized by the Department of Energy's Office of Fossil Energy to assess the LNG export industry's effects on the U.S. Economy. Their research concluded that two of their findings outweighed any "dampening economic effects" observed in their research:

- "About 80% of the increase in LNG exports is satisfied by increased U.S. production of natural gas, with positive effects on labor income, output, and profits in the natural gas production sector."
- "The higher world prices that bring forth those supplies improve U.S. terms of trade, so that there is a wealth transfer to the U.S. from the rest of the world equal to the increase in prices received for LNG exports times the quantity exported. The transfers from natural gas related activity to the U.S. economy improve the average consumer's ability to demand more goods and services leading to higher economic activity."

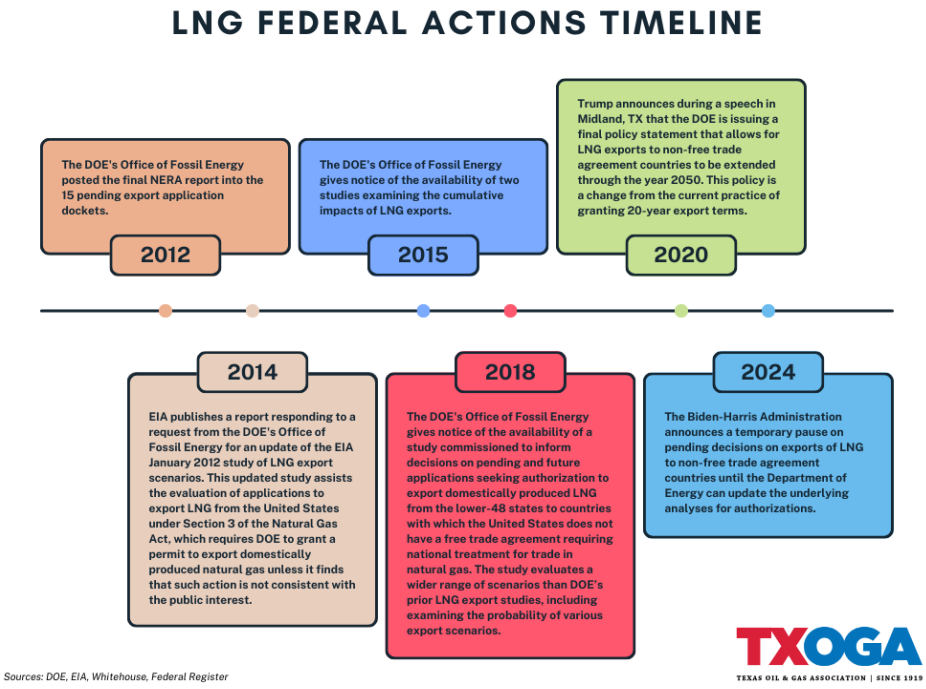

Figure 4 - Timeline for Previous Federal Actions and Pauses for LNG

The findings of this study led to the DOE offering the following statement: "The Department of Energy (DOE) stands behind the long-term authorizations it has issued under the Natural Gas Act, approving the export of natural gas (including liquefied natural gas) to non-free trade

agreement countries. DOE is firmly committed to the durability and stability of the non-FTA export authorizations it has granted to date, and any export authorizations issued by DOE in the future."[9]

CURRENT LAWSUITS ON THE BIDEN ADMINISTRATION PAUSE

In July 2023, the Department of Energy's Office of Fossil Energy and Carbon Management published a response to a petition for updated regulation, filed by several environmental organizations. These organizations – Sierra Club, Catskill Citizens for Safe Energy, Center for Biological Diversity, Delaware Riverkeeper Network, Earthworks, Environment America, Friends of the Earth, Lower Susquehanna Riverkeeper, and Rogue Riverkeeper - asked the Department of Energy to promulgate new guidelines regarding LNG exports to countries without a free-trade agreement with the United States and to hold in suspense all pending license approvals for LNG exportation until the new guidelines were developed, including a notice-and-comment period for the guidelines.[10]

In their response, the Department of Energy noted that the original petition on this issue was filed in 2013, and "In the ten years since the rulemaking petition was filed, the U.S. LNG export market has grown rapidly in both size and complexity, and it continues to evolve."[11] The Department found that their decision-making process under the Natural Gas Act "responds… and appropriately serves" the Act and that rulemaking for LNG exports "is not necessary at this time."

The Department repeatedly pointed out in their denial of the original petition that their process is compliant with both the NGA, particularly with the "public interest" standard in § 717. While

parties to the original petition argue that DOE is required to promulgate regulations related to LNG exports to non-free trade agreement countries, that argument is roundly rejected by the department, pointing to the D.C. Circuit Court's decision in *Qwest Svcs. Corp. v. FCC.* In *Qwest*, the court found that the FCC was not required to undergo rulemaking to act under the APA and their governing statute. *Qwest Svcs. Corp. v. FCC,* 509 F.3d 531 (D.C. Cir. 2007). DOE has broad discretion under the NGA to determine whether exports to countries without a free-trade agreement with the United States are in the public interest.[12]

Questionably, less than one year after the Department issued a final response denying the petitioner's request for updated rulemaking, the Biden administration issued an executive order ordering the Department to take those very steps. The Department soundly described that their processes were compliant with the APA and NGA, and D.C. Circuit Court rulings supported the Department's position. Yet the White House determined that, nonetheless, these approvals should be suspended until the Department updated its underlying economic and environmental analyses, citing concerns of climate change and pollution from export facilities, among other reasons.[13]

Observers point out that "upstream and downstream environmental effects lie outside of DOE's authority from Congress." Jonathan Brightbill, Spencer Churchill, & Michael J. Woodrum, Pushing Pause on Liquefied Natural Gas Exports: Can the Department of Energy Halt LNG Exports to Save the Planet?[14] Environmental Impact Statements issued by FERC through NEPA are required when a proposed agency action "has a reasonably foreseeable significant effect on the quality of the human environment." While DOE can and should evaluate the environmental effects of LNG exports at terminals according to their statutory mandate, counting "climate change" as a

"reasonably foreseeable significant event" sweeps in considerations far beyond any of the existing statutes regulating LNG exports. Thus, the administration's requiring DOE to undertake a review of their existing environmental analysis hinges on a very specific interpretation of "public interest" under §3 of the NGA.

In response to the Biden administration's pause, sixteen states, including Texas, sued the federal government, seeking a preliminary injunction against the order's effect. The arguments of the states in their lawsuit track closely to the Department's rationale in denying the previous petition for rulemaking: DOE's process is compliant with existing federal law and that LNG exports are consistent with the public interest standard. The collective plaintiff states also point out that the ban will harm each individual State's sovereign interests and have far-reaching economic effects.[15]

CHARGE II: THE POTENTIAL ECONOMIC, ENVIRONMENTAL, AND SOCIAL IMPACTS

Assessing the potential economic, environmental, and social impacts of such federal action on the state.

ECONOMIC IMPACTS

Although the United States has only been exporting LNG since 2016, the United States has quickly become the largest exporter of LNG in the world. Much of the success of U.S. LNG lies within the borders of Texas. Nearly 25% of the U.S. natural gas reserves are in Texas and 30% of the largest hundred natural gas fields in the U.S. are in Texas.[16]

According to the 2023 Annual Energy and Economic Impact Report produced by the Texas Oil and Gas Association, the natural gas and affiliated industries paid a record $26.3 billion in state and local taxes and state royalties in FY '23. This record amount of production, export, and the resulting tax revenue led to Texas independent school districts receiving $2.81 billion, and counties across the state receiving $885.6 million in property taxes from oil and natural gas production as well as pipelines and gas utilities.[17] Overall, this funding overall equates to $72 million each day for schools, public universities, infrastructure, and first responders.[18]

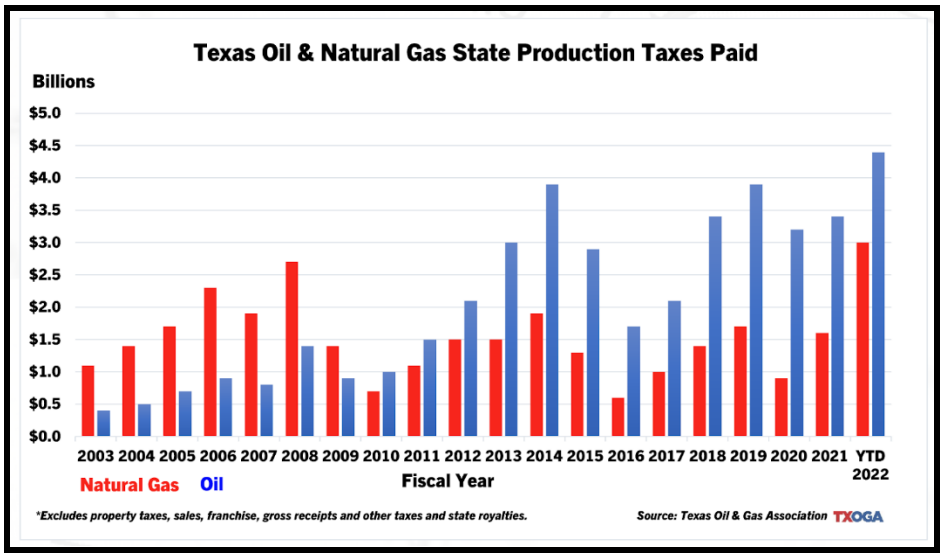

Figure 5 - Texas Oil & Natural Gas State Production Taxes Paid

Operations at six LNG facilities nationally may be negatively impacted in varying degrees due to the Biden Administration's pause on the licensing process, preventing some of these companies from exportation and limiting others from expansion.[19] This pause will undoubtedly affect Texas: two of these companies operate facilities in Texas with plans for growth to accommodate export demands. Now, these plans are in limbo. Sempra Infrastructure, the company developing the Port Arthur LNG facility, received FERC authorization for its proposed Port Arthur LNG Phase 2 project in September and was waiting for non-FTA permit approval from the DOE when the pause was announced. While Port Arthur LNG Phase 1 is not impacted, the pause impacts the Phase 2 project, which could add two additional LNG trains to the facility, ultimately doubling the export capacity of the facility. Although the project has all other necessary permits and could build directly on the success of Port Arthur LNG Phase 1, as a result of the pause, the expansion project lacks its non-FTA permit, which could potentially delay the expected timeline of the project. A Liquefaction Train, also known simply as a Train, is the equipment which condenses natural gas. Plants tend to have more than one Train per facility, with the standard unit typically capable of producing about 4 million metric tons a year.[20]

Similarly, Cheniere Energy in Corpus Christi, applied to FERC and DOE for permits on Midscale Trains 8 and 9 in March 2023.[21] An extended pause means no need for new infrastructure, investment, and construction, resulting in fewer property tax dollars that can be used to fund public education and public safety, and a loss of indirect jobs and sales associated with the projects. For the companies without facilities in Texas, the pause means a lack of demand for natural gas. The upstream effects of this pause, namely less production, means a loss of existing jobs, salaries, and tax revenues.

Dr. Dean Foreman, Texas Oil and Gas Association's Chief Economist, stated that on a larger scale, the Biden Administration's pause risks potential investments of $200 billion across the LNG lifecycle, including a projected 20% increase in Texas' dry natural gas production.[22]

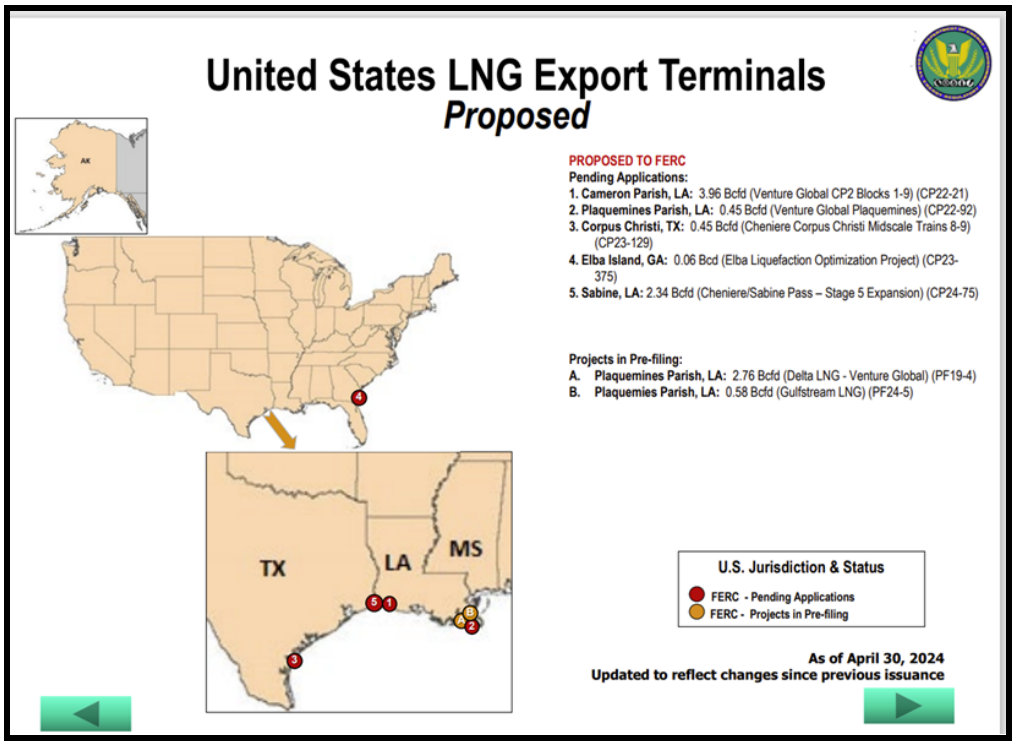

Figure 6 - Current Proposed United States LNG Export Terminals[23]

Critics of the growing exportation of LNG consistently cite concerns surrounding potential increased domestic natural gas costs for Americans. Contrary to this concern, in March of 2024 U.S. natural gas prices at Henry Hub in Erath, Louisiana remain some of the lowest in the world.[24]

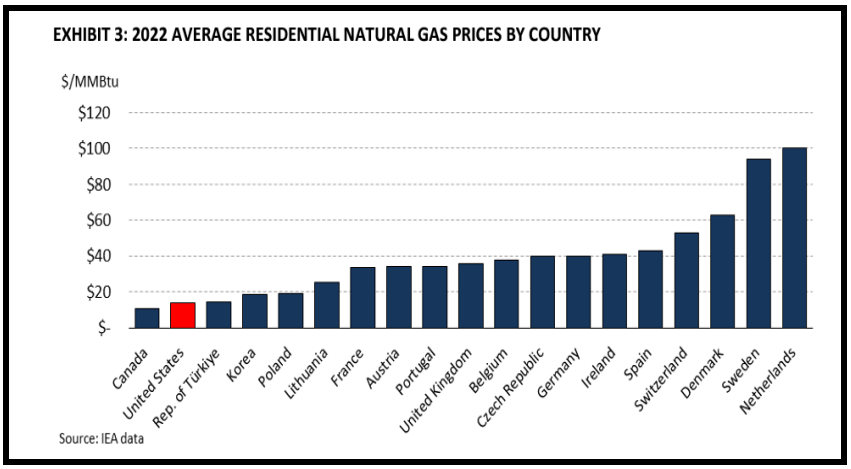

Figure 7 - 2022 Global Average Residential Natural Gas Prices

Further, the American Petroleum Institute stated in the Protecting Texas LNG Exports hearing as well as in formal published papers, that any significant rise in natural gas demand in the past has been met by an increase in production, maintaining affordability for both consumers and businesses in the U.S., and countering the claims of rising domestic prices.[25]

ENVIRONMENTAL IMPACTS

As natural gas and the transformation to LNG is a fairly new technological advancement, concerns have been raised about the effects production of natural gas and the lifecycle of LNG have on the environment. There are very few reliable energy alternatives to liquefied natural gas. LNG produces less carbon dioxide than coal and oil, making it the cleanest fossil fuel.[26] According to the U.S. Energy Information Administration, burning natural gas for energy results in fewer emissions of nearly all types of air pollutants and carbon dioxide (CO2) emissions than burning coal or petroleum products to produce an equal amount of energy.[27] In 2014, the National Energy Technology Laboratory (NETL) furthered this idea by publishing the "Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas from the United States".[28] In an August 2020 response, the DOE concluded, "While acknowledging substantial uncertainty, the Life Cycle Assessment and Greenhouse Gas (LCA GHG) Report shows that to the extent U.S. exports are preferred over coal in LNG-importing nations, U.S. LNG exports are likely to reduce Greenhouse Gas emissions." Yet within four years of this statement, another pause would be issued to conduct more research.[29]

Natural gas does not have to be delivered to one country over another to offset harms from the use of coal or other fossil fuels. In testimony, Dr. Dean Foreman, stated that LNG volumes are

fungible, meaning that though the LNG was not delivered directly to emerging economies in Asia, other LNG may then become available for Asia. This displacement overall allows for a reduction of CO2, and regardless of which country produces the CO2, a reduction would improve global emissions. Global emissions from coal reached all-time highs for the last three years, and exporting U.S. LNG is one of the greatest opportunities for the United States to help countries achieve the same rapid decarbonization – and improvements in air quality – that the United States itself has experienced through coal-to-gas switching. Jennifer Stewart, Director of Climate and ESG (Environmental, Social, Governance) Policy with the America Petroleum Institute, testified at this committee's hearing that the U.S. has led the world in emissions reduction since 2005, with nearly two-thirds of the reduction deemed from the displacement of coal to natural gas in the U.S. power sector.

The environmental impact of transporting LNG internationally has also been cited as a concern. In 2020, the International Maritime Organization (IMO) increased limitations on sulfur emissions for ships.[30] This limitation increased the use of vessels powered by steam turbines which receive propulsion by boil-off-gas (BOG) from LNG. BOG is a by-product of LNG that evaporates during the loading, storage, or transportation of LNG, and must be removed from the tanks to maintain the correct pressure. New ships powered by natural gas rather than coal or another alternative, mitigate some of these environmental harms. Moreover, one cargo shipment of LNG can provide heat for 1 million people in Europe during a winter month, increasing the importance of these ships.[31]

At this committee's May 2nd hearing in Port Arthur multiple experts conceded that while it may be of the national interest to study the effects of LNG on the environment, this should not constitute

the need for a complete permitting pause. The study which the DOE is currently implementing could still be conducted while permits were approved as has happened in prior administration pauses.

SOCIAL IMPACTS GLOBALLY

Supported by LNG facilities across the state and nation, domestically produced natural gas has a direct impact on energy and growth around the world. The United States and the European Union formed the EU Task Force on Energy Security which allowed countries within Europe to diminish reliance on Russia for energy and continue the transition away from imported fossil fuels in Europe. In 2022, Europe increased LNG imports to an all-time high of 14.9 billion cubic feet per day, much of which was filled by natural gas from the United States. U.S. LNG has been a vital part of the European response to Russia's war in Ukraine and has shown how security of supply – in the form of reliability of production and flexibility of delivery – is critical for this moment and for the decades to come. Within Europe, the United States was able to provide 74% if the LNG exportation to France, the United Kingdom, Spain, and the Netherlands. None of these countries are included in the current LNG free trade agreements.[32] Indefinitely suspending natural gas exports from the United States will have an immediate and extremely detrimental impact on the industry, on American allies, and on Texas in particular.

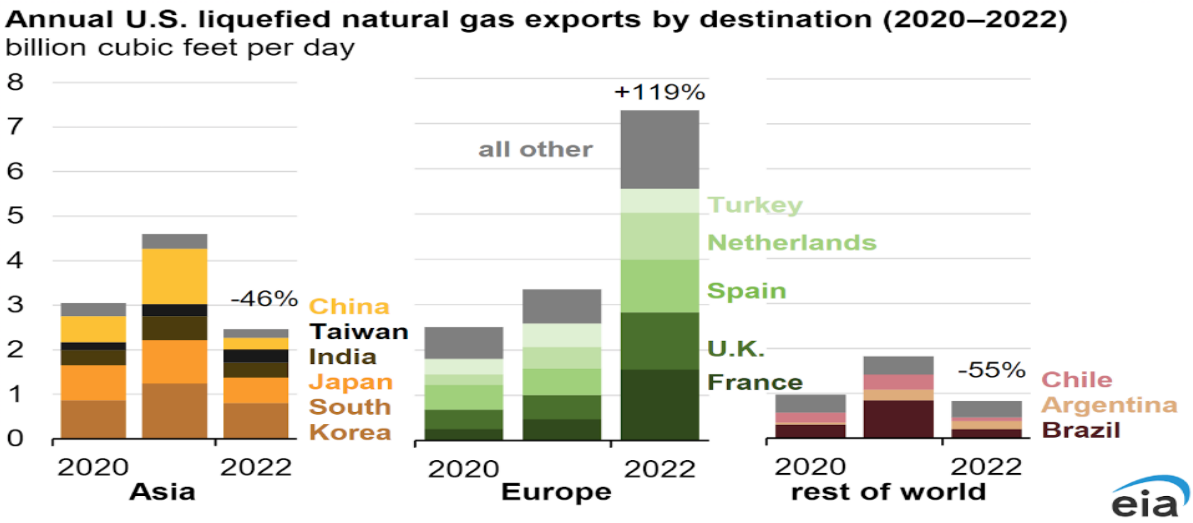

Figure 8 - Annual Recipients of United States LNG 2020 - 2022

As of 2023, North America leads globally with the most global long-term LNG contracts with 21 agreements, highlighting the perceived reliability of the United States in LNG delivery.[33] The confidence stems from the United States' abundant natural gas resources and its consistent role in helping other nations diversify their energy sources away from coal. These contracts underscore the enduring demand for LNG and reinforce the United States' commitment to maintaining LNG exportation as a matter of "public interest" throughout the expected 20-year lifespan of these facilities. If the companies are unable to fulfil one side of the contract, the LNG supplier would be able to enter into a discussion about changes the supplier could make in order to mitigate the issue.[34] Regardless of discussions, LNG facilities have large capital costs for building the facilities, including expensive equipment, and any breaches or necessary adjustments surrounding contracts could substantially harm the company financially as well as their reputation with future investors. In the United States Oversight Committee hearing, Rep. Clay Higgins (R-L.A.) sums up the issue and concerns globally by saying "prior to the [executive branch's] interference, the American LNG industry had been feeding reliable, affordable, clean energy to our allies across the world. And

because of various interruptions that have been planned and calculated, interruptions to American energy production, and dominance, and export, our European allies have had to rely on other sources for their raw energy products to power their grids across the continent…the reliability of that supply chain has been crippled by Biden Administration policy decisions."[35]

SOCIAL IMPACTS REGIONALLY

In an article in response to the Biden Administration pause, conservative estimations state that LNG exports directly support 18,000 jobs throughout the value chain and nearly 54,000 jobs nationally through direct, indirect, and induced activities.[36] Provided written testimony from Freeport LNG, located in Freeport, Texas, shows employment of over 8,000 construction workers at the peak development of the facility, over 500 full-time employment positions, and indirect support of over 30,000 jobs, with the majority based in Texas. Freeport LNG testified to an annual net positive impact on the US economy between $5 and $7 billion.

The growth and success of LNG facilities directly impacts the surrounding communities. In 2023, Port Arthur LNG committed to investing over $1 million to enhance workforce training, skill development, and talent retention. These investments were made by working to increase the quality of the Sabine Pass ISD Career and Technology Center, Nederland ISD Welding Program, Port Arthur ISD Pipefitting Program, Scholarships for Careers in LNG, and the Women's CDL Driving Program at Lamar State College Port Arthur.[37] Similarly, Freeport LNG made over $13 million in payments and donations to local emergency responders, donations for the construction of new hospitals in the area, to expand and upgrade the Gulf Coast Bird Observatory, and to purchase an ambient air monitoring station to demonstrate to the public that ambient air quality near the

pretreatment facility did not change with the operation of the facility.[38] Beyond these investments, Freeport LNG also mitigated the anticipated impacts to residents of Quintana Island during the construction of the Liquefication Project by either providing a $5,000 annual "impact payment" for the duration of the construction or allowing Freeport LNG to purchase the resident's home based on its appraised fair market value plus an additional $25,000.

CHARGE III & IV: MITIGATION & RECOMMENDATIONS

Identifying strategies to mitigate all adverse effects on the LNG industry. Texas's energy sector. and the state's economy as a whole; and formulating recommendations for legislative, policy. or other remedial actions to address the challenges posed by the federal suspension of LNG export permits.

ESTABLISH THE GULF COAST LNG INTERSTATE COMPACT

Consider legislation and policies authorizing the Governor to develop and execute an interstate compact with the goal of sharing state information, resources, and services with other interested states seeking to protect and grow the LNG industry along the Gulf Coast. Currently, the National Center for Interstate Database displays more than 250 active compacts ranging from child welfare to occupational licensing, as well as water and energy compacts.[39] Current and upcoming LNG facility projects convey the regional focus within this specific industry and the market expectations of future growth and demand. In utilizing regional assets and resources, this agreement could result in improved coordination of commerce for the benefit of overall improved effectiveness and efficiency within the industry.

ISSUE ANNUAL PUBLIC INTEREST REPORTS

Consider legislation mandating the issuance of official annual reports that provide updated data and information relating to the relevance and importance of the LNG industry regarding the public interest. In conclusion with previous federal permitting pauses, The U.S. Department of Energy issued individual reports concluding each pause with relevant data relating to the macroeconomic

effects on the nation's economy and specific energy sector consequences of the growing LNG industry. By using similar standards for the federal permitting pause review, the annual reporting on the economic, environmental, and social benefits of LNG exportation could provide consistent evidence to satisfy future public interest concerns from the federal government.

ALLOW TEMPORARY FACILITY CONSTRUCTION GRANTS

Consider legislation and policies to permit temporary eligibility of LNG facility construction grants and loans. During times of federal permitting pauses, the provision of state funding to continue and complete construction projects could fulfill or supplement financial concerns from LNG companies.

ECONOMICALLY INCENTIVIZE THE LNG INDUSTRY

Consider legislation to provide economic incentives for LNG facilities to counter market consequences of a federal permitting pause. Various state tax incentives have proven effective in drawing capital-intensive projects to Texas, helping further expand the state's economy. Increasing market attraction to companies that face immediate distress for an unknown amount of time could assist in sustaining the industry through and beyond federal permitting pauses.

REFORM STATE PERMITTING REGULATIONS

Consider legislation and agency policies to reform specific permitting regulations and increase overall permitting process efficiency. Other than federal permitting to export their product, LNG companies also undergo permitting operation requirements through the Railroad Commission (RRC) and facility air-quality permits through the Texas Commission on Environmental Quality

(TCEQ). Industry improvements in liquefaction efficiency, leak detection, and pressure safety valve monitoring have led to reduced operational and environmental risk, calling possible permitting reforms for increased efficiency and faster facility openings, as federal oversight remains. Additionally, industry would benefit from reforming the state permit regulations to allow a project which has applied for a New Source Review (NSR) air permit amendment to proceed with construction during the contested case hearing process at their own risk and implement timeline requirements for the TCEQ permitting process.

INCREASE FUNDING FOR MARITIME INFRASTRUCTURE

Consider legislation to expand funding for project construction and development through the Texas Department of Transportation's Maritime Infrastructure Program. In the 2024-2025 Port Authority Advisory Committee's Texas Port Mission Plan - Executive Summary, three state ports were among the top five fastest-growing U.S. ports in terms of total export revenue.[40] Allowing greater investments in port infrastructure will continue to benefit LNG companies and incentivize expansion in new businesses to utilize improved waterways for transporting commerce.

PRIORITIZE REGIONAL INDUSTRY WORKFORCE GRANTS

Consider policies and local efforts to increase the utilization of workforce grants partnered through local colleges to meet workforce demands for construction and facility operations. In 2023, Lamar State College Port Arthur was awarded nearly $300,000 to partner with Sempra LNG to serve local counties with high-quality transportation and construction jobs. Further emphasis on the Texas Talent Connection grants can provide long-term mutually beneficial partnerships between coastal colleges and LNG company programs.

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