



Department of Energy

Washington, DC 20585

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Adam Dilts
Section Chief, Oceans and Coasts Section
U.S. Department of Commerce
National Oceanic and Atmospheric Agency
Office of the General Counsel
1305 East-West Highway
SSMC4, Room 6111
Silver Spring, Maryland 20910

Dear Mr. Dilts:

Thank you for your July 10, 2020 letter requesting information about the U.S. Energy Information Administration's (EIA) forecasts of U.S. liquefied natural gas (LNG) exports as you consider your response to an administrative appeal pending before the Administrator of the National Oceanic and Atmospheric Administration (NOAA) pursuant to the Coastal Zone Management Act.

In response to your specific questions:

- 1. Given reduced global demand for natural gas and historically low natural gas and LNG spot prices in Europe and Asia, how does the EIA anticipate that the economic viability of U.S. LNG exports will be affected both in the short term and the long term?***

Every month, EIA updates its *Short-Term Energy Outlook* (STEO), which includes forecasts of monthly LNG flows through the next calendar year. The most recent STEO, which is currently the July 7, 2020 update, can be found at

<https://www.eia.gov/outlooks/steo/>. Naturally, under current worldwide economic conditions, there is considerable uncertainty around these forecasts.

In the July STEO update, EIA made the following points regarding LNG exports under current conditions of reduced global demand for natural gas and historically low natural gas and LNG spot prices in Europe and Asia:

U.S. LNG exports averaged 7.7 Bcf/d through the first four months of 2020, but declined by 17% between April and May. A mild winter and COVID-19 mitigation efforts have led to declining global natural gas demand and high natural gas inventories in Europe and Asia, reducing the need for LNG imports. Historically low natural gas and LNG spot prices in Europe and Asia have reduced the economic viability of U.S. LNG exports, which are highly price sensitive. In the summer 2020, more than 70 LNG export



cargoes from the United States were canceled for June and July deliveries, and more than 40 cargoes were canceled for August deliveries. In comparison, 74 cargoes were exported from the United States in January 2020.

EIA estimates that as a result of these cancellations, U.S. LNG exports averaged 3.6 Bcf/d in June and forecasts that they will average 2.2 Bcf/d in July and August 2020, implying a 25% utilization of LNG export capacity. EIA expects U.S. LNG exports to increase beginning in September and average 7.1 Bcf/d from December 2020–February 2021 as global natural gas demand gradually recovers.

In addition, EIA publishes an *Annual Energy Outlook* (AEO) once a year, which projects annual U.S. LNG exports through 2050. The 2020 update, published in January, is the most recent version. It can be found at <https://www.eia.gov/outlooks/aeo/>. In the 2020 AEO update, which was completed prior to current global economic contraction, EIA stated:

In the AEO2020 Reference case, pipeline exports to Mexico and liquefied natural gas (LNG) exports to world markets increase moderately until 2025, after which pipeline export growth to Mexico slows. LNG exports continue to rise through 2030 before remaining relatively flat for the remainder of the projection period.

The next AEO update is scheduled to be published in January 2021.

2. *Specifically, how does the EIA anticipate that U.S. LNG exports to Asian markets will be affected both in the short term and long term?*

Regarding short-term trends, as indicated within the quotation from the July STEO update above:

A mild winter and COVID-19 mitigation efforts have led to declining global natural gas demand and high natural gas inventories in Europe and Asia, reducing the need for LNG imports. Historically low natural gas and LNG spot prices in Europe and Asia have reduced the economic viability of U.S. LNG exports, which are highly price sensitive.

EIA will continue to closely monitor LNG export cargo scheduling and cancellations to align our STEO forecast with current market dynamics.

Regarding the long-term, according to the AEO 2020 Reference Case:

U.S. LNG-export capacity will continue to serve growing global LNG demand, particularly in emerging Asian markets as long as U.S. natural gas prices remain competitive. As U.S.-sourced LNG becomes less competitive in world markets after 2030, export volumes level off.

In both EIA's short- and long-term forecasts, it is clear that price competition will remain an important driver of U.S. LNG exports to Asia.

3. *Recently, the Federal Energy Regulatory Commission (FERC) authorized additional U.S. LNG export facilities, including the Jordan Cove Energy Project in Coos Bay, Oregon and the Alaska Development Corporation's project in the North Slope of Alaska. As more U.S. LNG export facilities come on line, how does the EIA anticipate that the economic viability of U.S. LNG exports will be affected both in the short-term and the long-term?*

In the July STEO update, EIA forecasts a short-term reduction in U.S. LNG exports under current global economic conditions. From record U.S. LNG exports of slightly more than 8 billion cubic feet per day (Bcf/d) in January 2020, EIA forecasts lows of 2.2 Bcf/d in July and August, with exports then rising to more than 7 Bcf/d in January 2021, and recovering to more than 8 Bcf/d by November 2021.

I hope this information is useful in developing your response to this administrative appeal. Because short-term economic drivers of energy trade are extremely variable and uncertain, EIA updates its STEO forecast monthly, which is available at the link cited above. If you need further clarification please contact Stephen Harvey, Senior Advisor, at his email Stephen.Harvey@EIA.gov.

Sincerely,



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Administrator
U.S. Energy Information Administration

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