

## **GME'S NEWSLETTER – Issue no. 181 now online**

Rome, 15 May 2024 – Issue no. 181 of the newsletter of *Gestore dei Mercati Energetici* (GME) is now downloadable from [Home \(mercatoelettrico.org\)](https://www.mercatoelettrico.org).

This issue opens with an article by Francesco Sassi from the RIE (*Ricerche Industriali Energetiche*) institute. The article provides an in-depth analysis about the role that Liquefied Natural Gas (LNG) from the United States has acquired in global markets, and the importance of the forthcoming Washington choices on the matter, with major repercussions at national and global level.

The article highlights that *natural gas exported as LNG from the US has become a key resource for stabilising European energy systems*, to the extent that it has become an *important alternative to previous gas imports from the Russian Federation*, supporting *European and Italian energy security in the past two winters*. Now, *with the decision of the Biden Administration to stop the construction of new export terminals, the role of the US LNG is being questioned by Washington itself*. Sassi points out that, *surprisingly, in the year of presidential elections, the White House intends to review its entire strategy*.

Sassi reminds that, *on 26 January, President Biden and his administration marked a historical turning point in the US gas industry, announcing a temporary pause in the permitting process of LNG exports to countries that had not signed a free trade agreement with the US (non-FTA countries)*. *The process is autonomously managed by the Department of Energy (DoE)*. *The announcement raised strong astonishment, since the US gas industry was widely supported by the previous Obama and Donald Trump administrations with a view to exporting larger amounts of gas produced in the US*. *The new course of the US energy and gas strategy chosen by Biden has some elements of continuity with and many elements of open opposition to the previous Trump Presidency*.

Sassi claims that, *in a matter of a few years, the US has become an actual superpower in terms of LNG production and export*. Indeed, the data collected by the



Energy Information Administration (EIA) reveals that *the country passed, in a few years, from being a net LNG importer, on a continuing basis from 1997 to 2015 and with a peak of about 22 billion cubic metres (bcm) of natural gas equivalent in 2007, to becoming one of the leading global exporters. From 2016 to 2022, LNG exports from US terminals grew from an equivalent of 5.1 bcm/year of LNG to roughly 109.5 bcm/year in 2022. This increase of almost 20 times in only seven years was due to an increase in national production, a decrease of imports, and an increase in the capacity of export terminals.*

As stressed above, *the US gas and LNG industry reacted with astonishment to the announcement made by the Biden administration. Within a short time, the relevant debate had a strong polarisation, passing from astonishment to anger and criticism, especially by the gas industry and representatives of the Republican Party. Conversely, the response given by members of the Democratic Party and, in part, by environmental associations and activists, which did not spare criticism, was generally positive. The companies expressing particularly critical positions were (...) those holding several permits granted by the US Federal Energy Regulatory Commission (FERC) and from the DoE itself, but no approval for exporting to non-FTA countries. In the opinion of these companies, which have specific and mandatory timeframes for construction of plants, Biden's decision contrasts with the country's gas strategy. Moreover, even the majors interested in acquiring LNG from the US complained about the multiple dangers arising from this move. Critiques are focused on the possible slowdown of the Asian transition, as a result of higher reliance on coal in the absence of LNG, and of the decreased trust by European allies, still hit by the cuts in Russian gas supplies.*

Sassi emphasises that *the issue might become critical in determining the equilibria in some of the so-called swing states, where the natural gas industry has a particular weight in the economy and employment. Indeed, governmental representatives suggested that the review will be a "robust analysis", helping the industry to respond to criticism about both the risk of growing prices in the domestic market and "implications*



*of our exports". On the other hand, in addition to plentiful critiques, a chorus of voices rose in favour of the measure, welcomed by members of the Democratic Party, scholars, and activists as based on common sense. Some of these voices even requested to permanently cease the construction of any terminal for exporting LNG from the US.*

In conclusion, Sassi reports the position of the Economist that the pause *is all about politics and has little to do with foreign policy decisions*. Hence, it is all the more necessary to *continue to carefully monitor the evolution of the US internal debate and consider the implications of the results of the forthcoming presidential elections in November 2024*.

This issue of the newsletter comes with the usual technical commentaries about European and national power exchanges, and environmental markets, a section focused on the analysis of Italian gas market trends, and a section with insights into the trends of the main European commodity markets.

As has become customary, the newsletter also reports the summary data for the electricity market for April 2024.

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