



January 20, 2022

Mr. Scott Condren
Export-Import Bank of the United States
811 Vermont Ave. NW
Washington, DC 20571

RE: Information Request on Potential Parameters of EXIM Bank Financing for Domestic Projects

Dear Mr. Condren:

The U.S. LNG Association (trading as LNG Allies), is the trade association of the U.S. liquefied natural gas (LNG) industry. We strongly endorse EXIM developing an option to provide financing in support of U.S. manufacturing facilities and infrastructure projects in the United States that would further U.S. exports.

LNG exports create tens of thousands of U.S. jobs and billions of dollars in economic growth, enhance the security of America's allies (especially in Europe), help reduce greenhouse gas emissions and air pollution abroad by replacing coal and other dirtier fuels, and contribute to alleviating energy poverty. An EXIM financing program that directly supported U.S. export facilities would assist U.S. LNG projects (all of whose output is exported) to reach final investment decisions and support all of these U.S. goals.

Global demand for LNG is expected to continue to show robust growth in coming years. In the International Energy Agency's *World Energy Outlook* for 2021, the IEA projected that based on announced pledges made by countries to reduce emissions, LNG trade will grow through 2050, primarily in emerging Asia. Many of those country pledges focus on increased use of natural gas to replace coal and support deployment of renewable energy. Therefore, more U.S. LNG exports will strengthen our economy and support achievement of U.S. climate goals.

However, U.S. LNG project developers face challenges, especially in obtaining sufficient financing to undertake their projects. This could severely limit their ability to benefit from this expanding opportunity, and allow Russia, among others, to expand their presence in the global natural gas market to the detriment of U.S. national security, economic, and climate interests.

In the United States, most LNG project developers are midstream companies or purpose-incorporated entities that must raise billions of dollars in non-recourse (off balance sheet) project financing for their facilities. Traditionally, this has been done by signing relatively large (>2 million tons per annum) long-term (15-20 year) contracts for the gas with investment-grade offtakers. These contracts provided requisite security for banks and other lenders.

Such contracts remain difficult to obtain due to changing market conditions. In addition, new offtakers in developing countries, where energy demand is growing fast and where the alternative to natural gas is usually coal, often do not have a "bankable" credit rating. This places U.S. LNG project developers at a significant disadvantage to projects in other countries that are mostly developed by large international energy companies which do not require offtake

contracts to obtain financing. LNG export projects in other countries also often have access to national development bank financing. This is a major challenge for U.S. LNG projects which EXIM could help relieve by using its financial resources to catalyze private sector financing in support of U.S. exports.

A study commissioned by LNG Allies in 2018 estimated that additional U.S. LNG exports could increase U.S. GDP by more than \$90 billion a year through 2050, while adding over 430,000 jobs. In addition, U.S. LNG can reduce global greenhouse gas emissions. Analysis conducted by the National Energy Technology Laboratory for the Department of Energy, published in 2019, determined that the use of U.S. LNG exports for power generation in European and Asian markets would result in lower greenhouse gas emissions when compared to using coal. Another case study done for Cheniere Energy indicated that LNG exports from the company's Sabine Pass plant in Louisiana to China could achieve a reduction of 47% to 57% in greenhouse gas emissions by replacing coal for power generation.

Currently there are 14 U.S. LNG export projects or expansions with a capacity of over 174 mtpa that are fully permitted and awaiting a final investment decision. Another 79 mtpa of LNG export capacity is under licensing review by the Federal Energy Regulatory Commission. This is in addition to the 110 mtpa of capacity that is operating or under construction. EXIM should develop an export financing mechanism that would assist those pending projects overcome their funding challenges in support of U.S. strategic and economic interests.

Sincerely,



Fred H. Hutchison
President & CEO

