Via email and posting

September 16, 2022

**TO:** NAESB Gas-Electric Forum and Interested Parties

**cc:** NAESB Board of Directors, Executive Committee (EC) Members, EC Alternates, Members, and Advisory Council

**FROM:** Rae McQuade, NAESB President & Jonathan Booe, NAESB Executive Vice President & COO

**RE:** NAESB Gas-Electric Forum Survey Responses - September 14, 2022 – Responses Related to Item 3b

Dear NAESB Members, GEH Forum Participants and Interested Parties,

Please find below the comments received by the NAESB Office in response to the survey/request for comments that was distributed on September 7, 2022 <https://www.naesb.org/pdf4/geh092322w1.docx>. The following responses were submitted regarding question/topic 3b:

Please provide comments and any specific recommendations for the forum attendees to consider regarding [Recommendation 24] “Possible options for increased regasification of liquid natural gas (including possible Jones Act Waivers).”

| **Responses Submitted by September 14, 2022 – 3b** |
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| **Question/Topic** | 3b. Please provide comments and any specific recommendations for the forum attendees to consider regarding [Recommendation 24] “Possible options for increased regasification of liquid natural gas (including possible Jones Act Waivers).” |
| **#** | **Organization** | **Representative** | **Market/Segment** | **Comment & Specific Recommendation** |
| 1 | LS Power | Marji Phillips | WEQ – Generator | It is likely that it will take more than Jones Act Waivers. It is about reserving the ships, competing with Europe and other countries willing to pay more for LNG than US counterparts. |
| 2 | Aspen Environmental Group | Catherine Elder | Other/Observer | It isn’t clear to me how the Jones Act waiver helps when we are exporting so much gas as LNG. Rather, simply reduce the export, though that has international geopolitical repercussions as well as potential contract interference issues. I suppose suspending the Jones Act would help those that are able to find a cargo in transit but cannot take delivery because the carrier is not US-flagged. But even then, several days could pass by the time the carrier reaches a US import terminal and the gas enters our pipeline system, making its usefulness in an emergency less than clear. Instead, I think it makes more sense to encourage more LNG needle peaking units astride existing pipelines (that have capacity available during winter) or located near generators. These units, of course, cost more than pipeline capacity so we get back to the question of how to pay for them – perhaps a reliability surcharge ultimately makes sense. More underground gas storage could help, too, but clearly the merchant/option pricing approach has not resulted in large amounts of gas storage being added in recent decades. Should the ultimate approach be to create emergency declaration with associated intervention powers, though, I don’t see a reason not to include temporary waiver of the Jones Act for purchase and delivery of spot cargos. |
| 3 | Natural Gas Supply Association | Pat Jagtiani | WGQ Producer | As noted above, the primary obstacle hampering adequate LNG options is the inability of gas generators to recover the fixed costs associated with such investments and significant market design improvements must be made to reflect the value of reliability so that generators will be motivated to contract for such services. If the market does not provide the proper signals to attract sufficient resources required for grid reliability, additional market-based products should be considered. Recently, in an August 18 letter to Massachusetts Governor Baker, Energy Secretary Granholm stated that the Department of Homeland Security will consider waivers to the Jones Act on a case-by-case basis.[[1]](#footnote-1) Absent any additional legislation, we will continue to rely on individual determinations, which may not provide the level of fuel security required to ensure that sufficient resources are available to maintain reliability.  |
| 4 | Process Gas Consumers Group & American Forest Paper Association | Andrea Chambers | WGQ End User | The increased regasification of liquified natural gas (“LNG”) in capacity constrained regions is not without infrastructure components. For example, both options will require some amount of storage infrastructure to be built as well as local pipelines to deliver the commodity to the end user. The storage component of this option will not completely negate the capacity constraints because there is a limited amount of storage capacity in these regions as well. Moreover, importing LNG and foreign gas will also expose consumers to increased price volatility because the imports will subject to macroeconomic pricing as well as any foreign and domestic tariffs. However, other regions, like the Pacific Northwest, rely on market-area storage to supply winter supply needs and LNG for peak-shaving events to avoid curtailment of load in peak seasons without the need to build additional pipeline capacity from the production areas. It is critical that each region plan ahead and have in place adequate infrastructure to serve their loads.  |

1. Granholm, Jennifer. The Secretary of Energy. August 18, 2022. Letter to the Honorable Charles D. Baker, Governor of the Commonwealth of Massachusetts. “With regard to the Jones Act, the Department of Homeland Security (DHS), which reviews waiver requests under the Jones Act, has a process in place to expeditiously review any requests for waivers, and the Secretary of Homeland Security will make a determination for each request consistent with the requirements of 46 U.S.C. § 501. While the law does not enable DHS to issue pre-emptive blanket waivers, DHS will expeditiously consider each individual waiver request to determine if the waiver is necessary in the interest of national defense. DOE is a consulting agency for Jones Act waiver requests related to energy, and the Department works closely with DHS to provide input into how energy supplies impact national defense interests, as appropriate.” [↑](#footnote-ref-1)