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Keystone Gas Gouge

Gas Export Push Could Stick Pennsylvania Consumers With $16 Billion Bill

By Alan Zibel

Key Findings

- Pennsylvania's households, businesses and electric power plants could pay up to $16 billion more on gas bills if the U.S. continues to accelerate exports of liquefied gas (LNG) to overseas customers under President-elect Donald Trump.
- Pennsylvania's total natural gas bill for residential customers, business customers and gas-fired power plants is expected to rise by $9.6 billion to $15.7 billion from 2035 to 2050 if the federal government approves all export permits for gas export terminals that were placed on hold by the Biden administration at the start of 2024.
- Higher gas prices caused by increased exports would have the largest impact on the state's electric power sector. Pennsylvania's gas-fired power plants, which serve electric utilities around the mid-Atlantic region, would pay up to $7.4 billion extra for gas over 15 years. Industrial consumers would pay an extra $4 billion, residential consumers $2 billion and commercial consumers $1 billion.

Introduction

Under President-elect Donald Trump, fracking companies will push to dramatically expand exports of methane gas extracted from the Keystone State. Doing so would increase energy bills for Pennsylvania families and small businesses alike. Gas exports will have a negative impact on retail energy consumers, including low- and moderate-income families already struggling to pay their bills, as well as small businesses who have been struggling with rising energy costs.

Major gas producers in the Marcellus shale, including those in western Pennsylvania, West Virginia, Virginia and eastern Ohio, sit atop the largest gas-producing region in the country. Pennsylvania alone is the second-largest methane gas-producing state after Texas. The region's gas producers have been working to expand sales to foreign customers, who are willing to pay higher prices for liquified natural gas (LNG). The incoming Trump administration is closely allied with the oil and gas industry and is likely to grant fossil fuel interests whatever policy favors they seek, regardless of the impact on the economy or local communities saddled with polluting fossil fuel infrastructure.

This push by fracking firms would encourage continued dependence on methane gas, make gas more expensive for American consumers and little in the way of jobs. Nationwide, the fracking industry has rapidly boosted its productivity through technological improvements that lower costs and boost profitability, but deliver fewer jobs. In Pennsylvania, fracking has proven to be a poor economic development strategy. Promised growth in fracking jobs has failed to materialize, with fewer jobs in key Appalachian fracking counties than when the fracking boom began. Fracking has also meant corporate consolidation, layoffs and significant environmental harms.

Proponents of LNG exports have long claimed that gas exports will benefit U.S. consumers and the economy. But such assertions ignore substantial evidence that rising gas exports and consumption cause higher prices that reverberate through numerous sectors and industries, while benefiting oil and gas executives as well as gas consumers in China and other countries that consume inexpensive U.S.-produced gas.

The nonpartisan U.S. Energy Information Administration said in a 2023 analysis that "higher LNG exports results in upward pressure on U.S. natural gas prices and that lower U.S. LNG exports results in downward pressure." Deputy Energy Secretary David Turk cautioned about the potential economic impact of linking U.S. natural gas prices to global competition, noting that natural gas prices in Europe and Asia have typically been five to six times higher than U.S. prices. Additionally, Turk noted in February 2024 U.S. Senate testimony that U.S. prices are stable when compared to far more volatile markets in Europe and Asia. "Rigorous analysis needs to consider how expanding U.S. natural gas export capacity to the level already permitted today and perhaps beyond could inject domestic natural gas markets with this kind of exposure to volatility and increasing prices, and how that could impact American households and manufacturers," Turk noted.

Higher Gas Costs for Low-Income Households and Small Businesses

A tighter balance between gas supply and gas demand driven by exports and increased domestic consumption will hit businesses and residential gas consumers with higher bills, while benefiting gas producers and exporters. The average winter heating bill for gas users in the Northeast is expected to rise nearly 11% to $844 for the winter of 2024-2025, according to the National Energy Assistance Directors Association. Nearly 22% of American households were behind on their gas bill as of June 2024, up from 19% a year earlier, NEADA says.

Low income consumers have already seen their gas bills go up in recent years: The price households paid for gas has increased 52% since 2016, according to the U.S. Energy Information Administration, with bigger increases in some mid-Atlantic states. **(Table 1)**

Table 1: Changes In Residential Gas Prices in Mid-Atlantic States, 2016-2023 (Dollars per thousand cubic feet)

State	2016	2022	2023	16-22 change	16-23 change
New Jersey	$8.3	$12.53	$13.55	51%	63%
New York	$10.84	$16.34	$16.9	51%	56%
Delaware	$10.9	$16.68	$16.79	53%	54%
U.S.	$10.05	$14.75	$15.23	47%	52%
Pennsylvania	$10.18	$14.94	$15.42	47%	51%
Maryland	$11.53	$16.97	$17.29	47%	50%

Source: U.S. Energy Information Administration

In Pennsylvania, more than half of households use natural gas as the main fuel to heat their homes, and many are already struggling with higher gas prices. More than 125,000 Pennsylvania households had their gas service shut off in 2023, up more than 36% from two years earlier. The number of customers deemed troubled grew to nearly 99,000 last year, up by nearly 38% from 2021. For low-income customers, the number of troubled customers was up 55% to more than 73,000 over that same two-year period, according to statistics published by the state's public utilities regulator.

Households, especially those in disadvantaged communities are especially hard-hit with high energy prices, with nearly 26% of all U.S. households reporting that they experienced energy insecurity, according to a federal survey. Households in this predicament often skipped basic necessities such as food and medicine, or kept their homes at unsafe temperatures because of an inability to pay for energy,

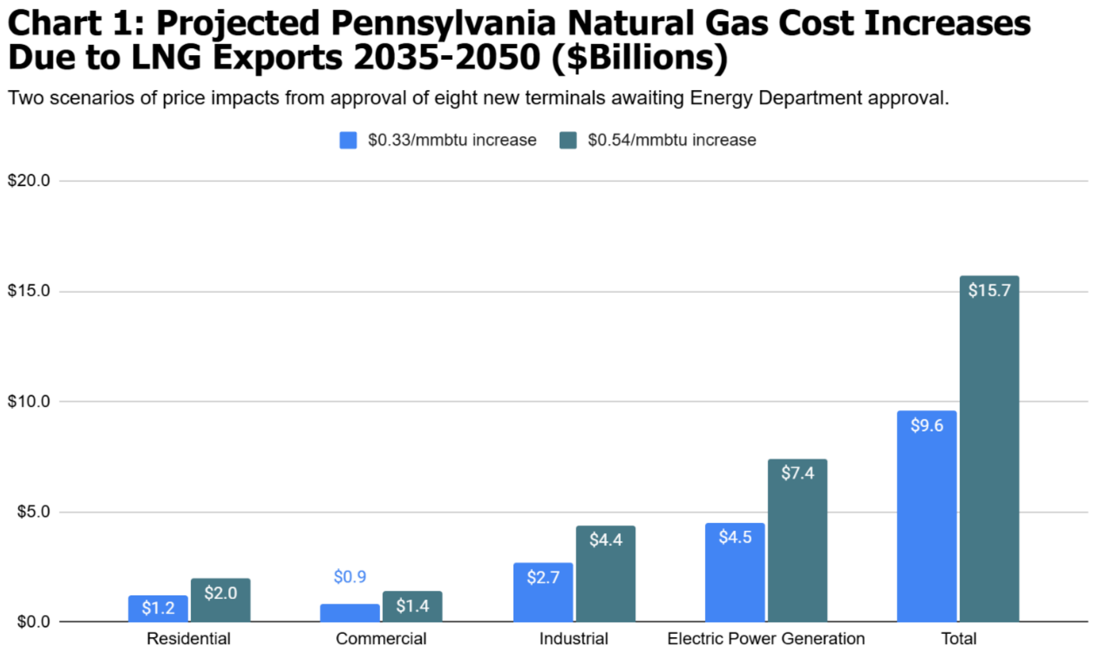
Escalating gas bills are also a concern for industrial businesses. As a manufacturing industry trade group wrote to Congress: "As LNG exports increase, reliability and affordability of gas and electricity are impacted. U.S. manufacturing is especially impacted because we are price-sensitive industries and affordable natural gas is our only global competitive advantage."

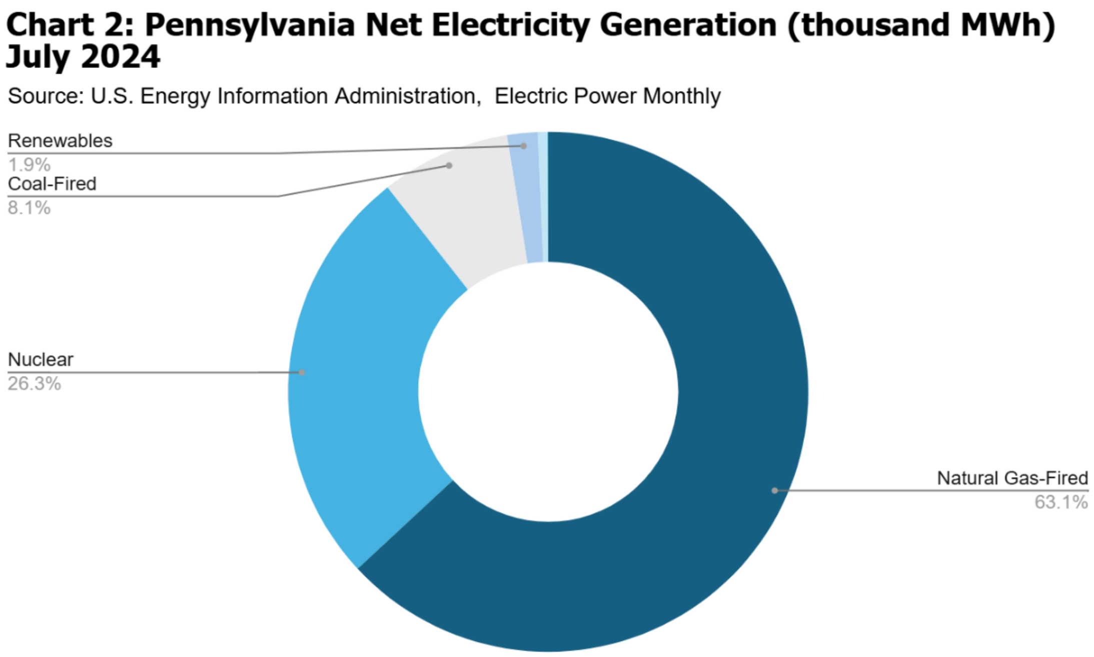
More Gas Exports Bring Higher Prices

A forecasting model by Princeton University professor Jesse Jenkins provides two scenarios for the potential economic impact of eight proposed LNG terminals awaiting federal export approval. Using that model, we calculated that Pennsylvania households, businesses and electric power generators would pay between $9.6 billion to $15.7 billion more on natural gas bills from 2035 to 2050 if the U.S. allows those plants to be constructed and begin exporting gas around the world **(Chart 1).**

The electric power sector would bear the brunt of the increase, with the state's gas-fired power plants paying up to $7.4 billion extra for gas over 15 years. These increases would also impact industrial gas users, costing them an additional $4 billion, residential consumers an additional $2 billion and commercial consumers an additional $1 billion.[1] Higher gas costs for electric power plants are of particular concern in Pennsylvania, which depends on gas-fired power plants to produce electricity. About 63% of electricity produced in Pennsylvania in July 2024 came from gas-fired power plants, according to federal data. **(Chart 2).**

[1]To calculate these figures, we multiplied gas consumption estimates from the U.S. Energy Information Administration by the gas price increases forecast in the Princeton model, which expects a 33-cent to 54-cent increase in the main price index for U.S. natural gas known as the Henry Hub price. This index has traded between $2 and $3 per million BTUs over the past decade. It briefly spiked in early 2021 due to Winter Storm Uri and was elevated for the entire year of 2022 due to the war in Ukraine.





Tying America's natural gas prices to overseas markets will make U.S. consumers vulnerable to global market volatility and price shocks similar to fluctuating gasoline prices at the pump. That is exactly what happened at the end of 2021 and for the entire year of 2022, when markets were roiled by the prospect of Russia's invasion of Ukraine and then the invasion itself. U.S. consumers paid an extra $111 billion for natural gas from September 2021 through December 2022 as global gas prices surged, and oil and gas companies reaped huge profits.

Yet lobbying groups downplayed or ignored the impacts at home. The American Petroleum Institute (API), launched a multi-million dollar ad blitz claiming that LNG "provides supply options for America's allies — most notably to the European Union amid Russia's aggression against Ukraine." Despite API's claims, the majority of export contracts are going to trading firms or Asian markets, rather than to Europe. Even after global markets cooled down and European countries found new sources of fuel, LNG has been highly profitable. In October 2024, the international energy giant Shell reported $6 billion in third-quarter profit, led by strong sales in the British company's LNG division. The winners from gas exports are gas producers and trading firms who have recorded huge profits and enriched their executives with generous compensation packages. **(Table 2)**.

Fracking Profits

In recent years, the U.S. has become the world's largest methane gas exporter after the construction of liquefied natural gas (LNG) export terminals on the coasts of Louisiana and Texas, and in Maryland and Georgia. Seven LNG terminals are operating and five more are under construction, with export capacity expected to double by 2028, despite opposition from local communities suffering serious health impacts.

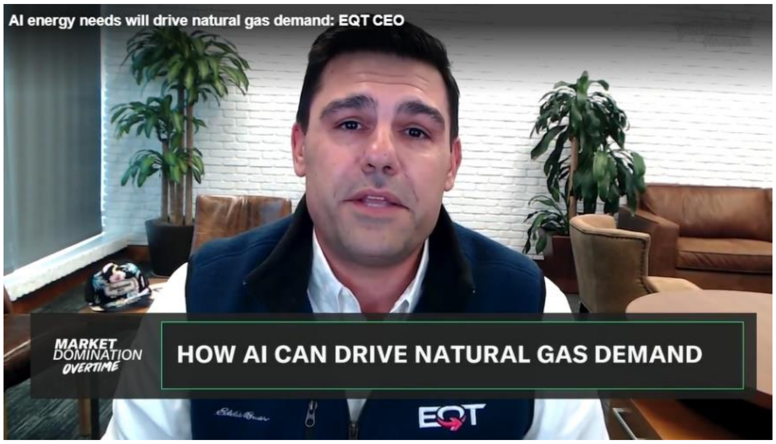
Drillers have an economic incentive to ensure there are multiple markets for their product, including overseas, to ensure that prices remain high enough so that drilling is profitable. As fracking companies work to boost international sales to Asia and Europe, they also are eyeing increased demand in the U.S. They argue that a buildout of gas-fired power plants will be needed to serve growing sectors such as artificial intelligence data centers and electric cars, while also ramping up LNG exports at the same time, all of which will mean higher prices. Indeed, the growth of all of this energy demand is already putting upward pressure on consumer costs.

Expand Energy, the largest U.S. gas producer formed by the recent merger of Chesapeake Energy and Southwestern Gas is planning to export 20% of its production as liquefied natural gas and signed a 20-year LNG export deal with Gunvor Group, a global energy trading firm. Nick Dell'Osso, CEO of the company said in an earnings conference call: "We're well positioned to deliver gas into [the LNG export] market and see the value of our gas increase as a result of how we deliver into that market." Dell'Osso's fiscal 2023 pay package was worth $7.4 million.

Another prominent gas producer, CNX Resources, based outside Pittsburgh, is led by Nick Deiuliis, an outspoken podcaster and gas advocate who regularly makes outlandish arguments against renewable energy and in favor of fossil fuels. The company came under fire this year after it was listed as a positive example in a Department of Energy publication highlighting positive interactions with local communities, with critics citing the company's track record of environmental violations and arguing it should not receive federal green energy funding.

By far the most prominent corporate executive promoting the gas industry is Toby Rice, CEO of Pittsburgh-based EQT Corp. A self-described "champion of natural gas," he is the son of a former BlackRock Inc. energy investor who started an Appalachian gas empire with his sons a decade ago. The Rice family sold their company for $6.7 billion to EQT Corp in 2017, then two years later led a successful hostile takeover battle to take control of EQT in 2019.

Toby Rice has characterized fracked gas as the "cleanest energy in the world," even as it accounts for over 20% of global greenhouse emissions from the energy sector and has called liquified natural gas "the biggest green initiative on the planet."



Unlike many companies in the Republican-supporting fossil fuel industry , EQT has sought to build political alliances on both sides of the aisle, supporting Natural Allies for a Clean Energy Future, a greenwashing group that targets Democrats as well as making contributions to Republican political action committees.

Table 2: Top 10 Pennsylvania Gas Producers, Executives and Executive Compensation

Name	2023 PA Gas Production (Trillion cubic feet equivalent)	Headquarters	CEO Name	Total Compensation (Fiscal 2023)
Expand Energy (merged Chesapeake and Southwestern)	3.777	Oklahoma City	Nick Dell'Osso	$7,404,561
EQT	2.218	Pittsburgh	Toby Rice	$10,600,926
Antero Resources Corp.	1.565	Denver	Paul Rady	$13,512,463
Coterra Energy	0.973	Houston	Thomas Jorden	$14,547,853
Ascent Resources LLC	0.933	Oklahoma City	Jeff Fisher	n/a
Range Resources	0.793	Fort Worth, TX	Dennis Degner	$6,181,944
CNX Resources	0.627	Canonsburg, PA	Nicholas Deluliis	$6,427,883
National Fuel Gas	0.428	Williamsville, N.Y.	David Bauer	$7,770,302
Repsol SA	0.307	Spain	Josu Jon Imaz	$3,958,660
HG Energy	0.306	Parkersburg, West Virginia	Jared Hall	n/a

Source: Ohio River Valley Institute analysis of Capitol Forum Upstream database

Conclusion

The U.S. fossil fuel industry long claimed that fracking and drilling for gas would create jobs and benefit consumers. But the push to expand both domestic production and exports has instead brought negative consequences for consumers, for disadvantaged communities living near petroleum infrastructure, for public lands and waters and for the planet. The potential for economic instability and damage created by this rapid export expansion is only now becoming clear.

More than 80 years ago, Congress subjected interstate and foreign transportation of gas to federal regulation, finding that transporting and selling natural gas for public distribution should be subject to public-interest evaluation, Under President Joe Biden, the Department of Energy in early 2024 announced it would reassess the impacts of LNG exports to consider the full impacts of LNG exports on consumers and communities. We must take full advantage of this important opportunity to gauge the extent to which expanded LNG exports harm households, businesses and the economy in Pennsylvania and across the U.S. Elected officials at the state and federal level must think skeptically about industry-supported policies that advance a massive expansion of fossil fuel infrastructure and put industry profits over people.