

OBJECTIVES

- [art.4.1(a)]
- [art.4.1(a)]
- [art.4.1(a)]

SCENE SETTER

The Joint U.S. – EU Statement of July 25 included the agreement “to strengthen our strategic cooperation with respect to energy. The European Union wants to import more liquefied natural gas (LNG) from the United States to diversify its energy supply”.

In terms of the follow-up since then, primary contacts on LNG have been pursued directly by the Commission President’s cabinet ([Art.4.1(b)]) and the White House ([Art.4.1(b)]).

[art.4.1(a)]

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<p>L</p>	<p>BRIEFING <i>Origin: DG TRADE</i></p>	<ul style="list-style-type: none"> ○ Subject: LNG ○ Meeting: Commissioner Malmström with USTR Lighthizer ○ Date: 14 November ○ Place: Washington D.C.
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[REDACTED]

[REDACTED]

[art.4.1(a)]

[REDACTED]

EU POSITION

- The EU is keen to import more LNG from the U.S. and we do not have any non-market access barriers to more EU imports of LNG from the U.S.
- The EU has ample unutilised capacity in our LNG terminals. Still we are investing in new LNG capacity (see e.g. annex to 9 August press release, enclosed).
- The EU and its Member States already invest heavily in interconnections between Member States, in part to make sure that all Member States can benefit from LNG.
- The ball is on the U.S. side of the court: it should remove all export restrictions of LNG to the EU [*i.e. the prior approval from the Department of Energy (DoE) to export LNG and the Federal Energy Regulatory Committee (FERC) permitting process for new LNG terminals - FERC has to approve applications to construct new LNG terminals, which is both costly and time consuming*].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[art.4.1(a)]

[REDACTED]

[REDACTED]

- In practice there are no existing discriminatory barriers to investment and services applicable to US energy companies operating in the EU market.

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US POSITION

Based on the discussions at the EWG meeting on 24 October and exchanges at technical level before that, the U.S. could be expected to express the following views:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED] [art.4.1(a)] [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

KEY MESSAGES

On LNG as such:

- The EU and the U.S have matching objectives when it comes to LNG – the U.S wants to export more and the EU is keen to import more from the U.S. to improve energy security.
- The EU has no barriers to U.S. LNG coming to Europe. The EU has ample unused regasification capacity (150 billion cubic meters currently spare) across a series of already existing LNG terminals.
- Still, more terminals and capacity are under development. Given their strategic importance for diversification, current capacities are being expanded and new ones are being developed.
- Moreover, we are investing heavily in gas transport infrastructure across the EU to further integrate the gas market and to make sure that all EU Member States can benefit from LNG.
- The U.S. holds the key to enhance LNG exports. Restrictions to U.S. LNG exports – both the prior approval for LNG shipments by DoE and the FERC permitting for new LNG terminals – should be lifted. Such restrictions should not exist between allies, especially given the keen interest on both sides to promote LNG trade.
- Of course, it is essential that U.S. prices are reasonable in the context of market conditions. As long as this is the case, there is a significant potential for more U.S. LNG exports.

- [REDACTED]
- [REDACTED] [art.4.1(a)] [REDACTED]

[art.4.1(a)]

[art.4.1(a)]

The EU must take more action on LNG and not leave it all to the market.

- The key to more US exports of LNG to the EU is in the US court, through the removal of export restrictions and making prices more competitive in the context of market conditions. On this basis there is plenty of room for US exports of LNG to Europe.
- While the EU has no regulatory means to force companies to source from specific suppliers, we have a comprehensive strategy in place to expand LNG use to improve energy security – this will benefit U.S. LNG exporters.
- The strategy is being implemented at a brisk pace with more interconnections between EU Member States and support to new LNG terminals where needed. Moreover we already have ample unused regasification capacity in the existing terminals.

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[art.4.1(a)]

[art.4.1(a)]

BACKGROUND

A. EU-US correspondence on LNG work streams

L

BRIEFING

Origin: DG TRADE

- **Subject:** LNG
- **Meeting:** Commissioner Malmström with USTR Lighthizer
- **Date:** 14 November
- **Place:** Washington D.C.

[art.4.1(a)]

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[art.4.1(a)]

[art.4.1(a)]

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The EU has no non-market barriers for US LNG coming into its market and believes that the key initial priority should be to ensure that there are no barriers to the US exports of LNG to Europe. This is in the economic interests of both the EU and the US.

[art.4.1(a)]

The US and EU are moreover, by common agreement, not negotiating free trade commitments in services and investment, so it would not be appropriate to envisage binding commitments in this area at this stage of the work of the Executive Working Group. Finally, the US has not made such linkages in agreements with other countries, focussing instead on full and reciprocal liberalisation of LNG trade.

[art.4.1(a)]

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[art.4.1(a)]

Welcome the suggestion to discuss what the US Department of Energy does on research on reducing methane emissions from natural gas pipeline systems. Suggest that a video conference could be arranged to discuss what the US and the Commission are doing in this field.

Query whether there is also work ongoing to measure methane emissions through the whole gas value chain?

On gas flaring, note the valuable work on this issue in the US, particularly by the US National Oceanic and Atmospheric Administration (NOAA), and suggest that this issue could also be discussed in a video conference on methane emissions. Question which US body would be the primary contact for this?

[art.4.1(a)]

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Would be useful, at the initial stage, to consider a joint analysis of the gas market that underlines the advantages and the potential for LNG, supported by input from the IEA and the EU's Madrid Forum as well as US think tanks and institutions such as Columbia University.

Following this, agree that the timing of any public event is important and that it could be useful to have this around the time of an important public announcement – perhaps a major development in one of the key projects highlighted by the US under point 5.

However, perhaps the main focus of such an event could be more on the business-to-business contacts. We could suggest, at this stage, that the Commission has initial discussions with CEEP (Central Europe Energy Partners) and GIE (Gas Infrastructure Europe) and the US with “LNG Allies”¹ to ascertain their interest in such a business-

¹ CEEP and “LNG Allies” co-organised the first roundtable on LNG in May 2015. Note that CEEP are already requesting a meeting on EU-US energy relations with a special reference to LNG

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oriented event (in practical terms we would need to foresee side rooms around a conference venue and advertise the possibility of match-making).

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[REDACTED]

[REDACTED] [Out of Scope]

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[REDACTED] [Out of Scope]

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[REDACTED]

[REDACTED] [Out of Scope]

[REDACTED] [Out of Scope]

[REDACTED] [Out of Scope]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED] [art.4.1(a)]

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[REDACTED] [art.4.1(a)]

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The US has highlighted a number of key infrastructure projects in the EU that are important to ensure that the EU market is fully integrated. The Commission would be very willing to share information with the US on the state of play and outstanding issues related to each of them. Likewise the Commission would be very interested to understand the detailed state of play with the US LNG export projects and the development of the connecting pipeline infrastructure.

[art.4.1(a)]

We therefore suggest that the Commission takes contact with the US Department of Energy to organise a video conference at a suitable level within the coming month to discuss this in further detail.

[art.4.1(a)]

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The Commission is certainly interested in looking into increasing the use of gas in the maritime and road transport sectors which has security advantages and, particularly when it is blended with bio-methane, significant environmental benefits.

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An open and stable framework for transporting LNG between the US and the EU is an important element that, among others, would promote use of LNG. In this context, DG MOVE would like to raise the importance for EU-owned and EU-flagged vessels to have free access to this activity.

The Commission will look into this further internally.

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