

THE WALL STREET JOURNAL.

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OPINION | COMMENTARY

America's Chance to Help Break Russia's Energy Dominance

Increasing U.S. gas exports could stabilize the global marketplace and cut Putin's influence.



The pier at Dominion's Cove Point liquefied natural gas (LNG) plant on Maryland's Chesapeake Bay in 2014. *PHOTO: TIMOTHY GARDNER/REUTERS*

By **STEPHEN CHENEY AND ANDREW HOLLAND**

Feb. 22, 2016 2:30 p.m. ET

Earlier this month, the U.S. Senate began considering a bill that, if passed, would certify the central role of liquefied natural gas in American foreign policy and help many European countries escape Russia's energy dominance.

The bipartisan Energy Policy Modernization Act proposes, among other things, to improve the way Washington approves permits for the export of LNG. Under a 1938 law, the government must first determine whether the proposed exports are "consistent with the public interest." There is no time frame for making that decision and the process leaves too much discretion to government bureaucrats.

Although some American companies have made it through the permitting process, billions of dollars in investment has been left on the sideline as export terminals are held up by opaque procedures. Even in the face of low prices and an oversupplied global oil and gas market, exporters are waiting for government approval to spend billions on export terminals.

The international dimension of export reform couldn't be more significant. The shale revolution, driven by the combined innovations of hydraulic fracturing and horizontal drilling, has made America into a net exporter of gas. The markets have noticed: U.S. prices are now down to historic lows on a glut of supply and stable demand.

A great deal of this export gas will flow across the Atlantic. European demand for imported gas has risen, now accounting for two-thirds of its total consumption, as domestic reserves (particularly in the North Sea) are steadily depleted. Last year, U.K. imports of LNG were up by 27%, while Poland and Lithuania have opened new import terminals.

Today, about half of Europe's imported gas still comes from Russia. Even as the European Commission attempts to reduce dependence on Russia, President Vladimir Putin has made no secret about his desire to further increase dependence, pressing Germany to double the capacity of the massive Nord Stream pipeline by building a new pipeline (Nord Stream 2) along the same pathway under the Baltic.

The result is poisoned politics across Eastern Europe, as too many politicians are thus forced to bend to Mr. Putin's political demands for fear of losing their gas supplies. The disputes between Moscow and Kiev played out in part over disputes about gas shipments running from Gazprom through Ukraine and into Europe.

U.S. exports of LNG would help provide Europe with a friendly alternative. It could even have a greater effect than the \$3.4 billion in heavy weaponry that the Pentagon has pledged to send to Eastern Europe in 2017.

Unlike oil, the market for natural gas has never been global. The fuel isn't easily transportable and requires the building of expensive pipelines. As such, it's been treated as a natural monopoly and priced in opaque, long-term deals. Russia's Gazprom has been a master at extracting excess profits from vulnerable countries, then punishing them with "contract disputes" when they are most vulnerable. By breaking Gazprom's influence and power, the U.S. can help build a global, transparent market for natural gas, ensuring that it is treated as any other product, and not as some geostrategic prize.

LNG exports would help U.S. allies in Europe by expanding the quantity of total energy supplied to allies and thus undercutting Russia's political clout. It would also help Russia in the long term by forcing Gazprom to compete like any other company. Some countries might continue doing business with Gazprom, but merely having the option to buy from a second source would mute Russia's influence.

This isn't another foreign-aid program that comes at exorbitant cost. At the end of December, the U.S. Energy Department announced the results of a study that found that the U.S. economy stands to gain between \$7 billion and \$20 billion a year from exports. Furthermore, the study says that exports will not raise costs to consumers. This is a real opportunity to use America's natural-gas windfall. It should not be squandered.

Unfortunately, the bipartisan energy bill is now mired in presidential-year politics, as unrelated amendments (most recently about finding a solution to the lead-water crisis in Flint, Michigan) have brought action on the Senate floor to a halt. With little prospect in sight to end the Congressional wrangling, an interim solution would be for President Obama to commit the Energy Department to ensuring that all permits will be issued promptly, within 45 days of completion of an environmental review.

Ultimately, the growth of LNG would allow natural gas to become a global marketplace that ensures clear and transparent prices around the world, with minimal cost differences. Permitting new LNG export capacity in the U.S. would create more liquidity in the global market, provide alternative sources of energy for allies and undercut the ability of Russia and other countries to monopolize markets and use energy as a political weapon.

A free market where Europeans can buy their gas from anyone, whether Australia, Mozambique, Qatar, Russia—or even the U.S.—would be a big win for American national security.

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