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Lift Restrictions on Natural Gas Exports to NATO Allies in the Baltics

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The United States has been experiencing a boom in energy production in recent years, most notably natural gas production. This energy boom should allow for a strong export market for American liquefied natural gas (LNG) to hungry markets abroad. However, legal and regulatory hurdles make it unnecessarily difficult for American companies to export LNG to many countries across the world.

These hurdles are especially damaging to U.S. interests in the Baltics, where American allies Estonia, Latvia, and Lithuania are heavily reliant upon natural gas from Russia. As the U.S. looks for ways to strengthen cooperation with our Baltic allies, easing legal and regulatory hurdles to the export of American LNG to NATO allies in the region makes sense from both economic and geopolitical perspectives.

Advances in Domestic Gas Production Should Mean Increased U.S. Exports. In 2012, the U.S. produced 14 percent more energy than it did in 2005.¹ Much of the increase in domestic energy production has been the result of increases in natural gas production brought about by technological advancement. Currently, for LNG to be exported, the U.S. Department of Energy's (DOE) Office of Fossil Energy must

authorize an exit permit. The office is charged with deciding whether or not the export is “in the public interest.”

Any nation with a free trade agreement (FTA) in place with the U.S. is granted a permit automatically,² but many of America's staunchest NATO allies in Europe—including the Baltic nations of Estonia, Latvia, and Lithuania—do not have FTAs with the U.S.

While an increase in U.S. LNG exports could in theory raise domestic prices, the total overall increase in cost would be minimal and likely offset by an increase in domestic production to meet demand.³ Importantly, the net gains to the U.S. economy from natural gas exports are overwhelmingly positive.⁴

The Baltic Nations Deserve Support. All three Baltic nations are net contributors to the NATO alliance and have proven to be valuable and competent partners. All three have participated actively in American-led Operation Enduring Freedom in Afghanistan and subsequent NATO-led International Security Assistance Force missions in Afghanistan. Unlike most NATO members, the Baltic States have committed to attaining the benchmark of 2 percent of gross domestic product for defense spending. Estonia is only one of three NATO member states to currently meet the benchmark,⁵ and Latvia and Lithuania have both committed to meeting it by 2020.

More important, all three Baltic nations have shed blood for the NATO alliance. Estonia lost nine soldiers in Afghanistan, Latvia lost a combined seven service members in both Afghanistan and Iraq, and Lithuania suffered casualties in both Afghanistan and in the NATO-led operations in Bosnia and Herzegovina.⁶ All three nations fought bravely next to

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American service men and women, with special forces from the Baltics receiving special praise for their selflessness and capabilities during recent U.S. and NATO campaigns.

All three nations continue to serve as model NATO member states and are actively seeking ways to continue contributing to the alliance post-Afghanistan.

A Win-Win for the U.S. and the Baltics. The most effective policy solution is to lift restrictions on natural gas exports altogether and treat natural gas as any other good the U.S. trades. Ultimately, Congress should remove all decision rights from the DOE and prohibit any federal agency from determining natural gas exports based on public interest. In the meantime, allowing American producers to export LNG to allies in the Baltic States is a win-win for both sides.

The Baltic States have begun constructing new import terminals to receive LNG. In Lithuania, a terminal at Klaipeda is expected to be operational by the end of this year,⁷ as is the nearby Polish terminal at Swinoujscie.⁸ A third LNG import terminal in the region is planned for either Estonia or Finland.

Latvia, Lithuania, and Estonia are reliant upon Russia for 100 percent of their natural gas supplies.⁹ Furthermore, the Baltic States pay higher rates for Russian natural gas than do many other European nations.¹⁰ Russia has used the threat of cutting off

natural gas supplies as a diplomatic, economic, and foreign policy tool. By exporting abundant American LNG to the Baltics, the U.S. would allow allies in the region to diversify their natural gas supply, thus lessening the impact of future threats from Russia and giving them a stronger bargaining position vis-à-vis Russian energy supplier Gazprom.

U.S. Should Do the Right Thing. Antiquated, cumbersome, restrictive regulations on the export of American natural gas to nations without FTAs are not in the interest of the United States. Easing restrictions on LNG exports to key NATO allies, especially those in the Baltic region, would:

- **Grow the American economy.** The export permit process serves as a drag on the U.S. energy economy. Easing restrictions on exports would help the U.S. economy while having only a minor impact on domestic natural gas prices.
- **Reward American allies.** America's NATO allies have fought and died alongside American servicemen and women in the pursuit of freedom and security in places such as Iraq and Afghanistan. The Estonian, Latvian, and Lithuanian militaries have been especially capable and valiant while serving alongside American troops.

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■ **Ease Baltic reliance on Russian natural gas.**

The Baltic nations are entirely dependent upon Russian natural gas imports. In conjunction with recent regional projects to build LNG import terminals, increased American LNG exports would allow policymakers in the Baltics greater freedom to pursue geostrategic aims, namely the preservation of Baltic security, with a lessened impact of energy considerations.

A Good Move All Around. America's energy boom could have an important geostrategic impact in the Baltics—but only if the U.S. eases or lifts

restrictions on the export of LNG to American allies in the region. This lessened reliance on Russian natural gas imports for NATO allies in the Baltics serves the interest of the U.S. in ensuring a peaceful and stable region.

It is time for the U.S. to do what is best for its interests in the Baltics and NATO allies and scrap the restrictions on LNG exports to these nations.

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