



# RIO GRANDE VALLEY

AT RISK FROM METHANE GAS EXPORT TERMINALS | 2024 UPDATE

## *Summary for Financial Institutions*

Investors and financial institutions investing in, lending to, or underwriting NextDecade’s Rio Grande LNG, Glenfarne’s Texas LNG, and/or Enbridge’s Rio Bravo Pipeline or their existing Valley Crossing pipeline in the Rio Grande Valley in South Texas, USA face severe social and financial risks in supporting these projects. If built, these methane gas facilities would violate the rights of Indigenous Peoples, damage community health, harm endangered species, and contribute to climate chaos carefully detailed in past issues of this brief. This updated summary of key financial and social risks provides an overview of critical events in 2024 related to the proposed methane export projects in the Rio Grande Valley. This is the fifth update since 2016 to this important issue.

2024 has proven to be a landmark year because the U.S. White House and the U.S. Department of Energy paused new liquefied natural gas (LNG) export permits in January to assess climate and community risks.<sup>1</sup> The pause did not affect LNG projects that already hold export permits, like those in the Rio Grande Valley. While it has been legally challenged, the pause has had a chilling effect, with no US project reaching final investment decision (FID) in 2024.<sup>2</sup> The pause has not negatively impacted Asia or Europe’s short or long-term energy security.<sup>3</sup>

PROJECT NAME	COMPANY
RIO GRANDE LNG	NEXTDECADE
RIO BRAVO PIPELINE	ENBRIDGE
TEXAS LNG	GLENFARNE GROUP, SAMSUNG ENGINEERING CO.
VALLEY CROSSING PIPELINE (BUILT)	ENBRIDGE

PHOTO: Children standing on the proposed site of Rio Grande LNG / Save RGV

# Project Background & Updates

NextDecade reached FID on phase 1, trains 1-3, 17 million tonnes per annum (MTPA) for the Rio Grande LNG export terminal project in July 2023. NextDecade boasts that the \$18.4 billion project financing for phase I “is the largest greenfield energy project financing in U.S. history.”<sup>4</sup> NextDecade originally intended to make an FID on the terminal in 2017 and begin operations in the fourth quarter of 2020.<sup>5</sup> However, the company has faced repeated delays due to legal challenges, inadequate regulatory proceedings, community pressure, and the unstable oil and gas market.

NextDecade secured key offtake contracts with Total Energies in 2023 and Saudi Aramco in 2024.<sup>6</sup>

Prior to reaching FID, the French bank Société Générale publicly stepped away from the project.<sup>7</sup> At least one bank, the Japanese bank SMBC, that originally served as an advisor to NextDecade, is no longer associated with the project.<sup>8</sup> Several other banks have privately confirmed that they would no longer participate in financing Rio Grande LNG.

The American-Swiss insurance company, Chubb, dropped their coverage for Rio Grande LNG in Spring 2024 due to an “updated criteria for larger oil and gas companies and new standards for midstream activities.”<sup>9</sup> This severed business relationship was confirmed by advocates in August 2024.<sup>10</sup>

Texas LNG, a 4 MPTA project, has not yet reached FID. In 2024, the company secured a 20 year tolling agreement with EQT Corp and an offtake agreement with Gunvor.<sup>11</sup> EQT is no stranger to delays and political controversy. EQT was the lead developer on the controversial Mountain Valley Pipeline until 2018, and has recently reacquired Equitrans, the pipeline’s current developer and operator.<sup>12</sup>

French bank, BNP Paribas, cut ties with Texas LNG in 2017.<sup>13</sup> Texas LNG is slated to connect with Enbridge’s existing Valley Crossing pipeline.

Both Rio Grande LNG and Texas LNG applied for Chapter 312, a Cameron County, Texas property abatement provision that would reduce their property tax obligations.<sup>14</sup> Texas LNG seeks to avoid paying around \$34 million of taxes over ten years to the low-income Cameron County. Rio Grande LNG received a \$373 million tax abatement in 2017, and the County Commission modified their abatement at the same time that they approved Texas LNG’s application in June 2024.<sup>15</sup> These tax abatements are subsidizing negative impacts on the region’s economy, community, and environment.

While the Cameron County Commissioners approved the tax abatements, the Laguna Vista Town Council, the South Padre Island City Council, and Long Island Village unanimously adopted resolutions opposing the Rio Grande LNG terminal.<sup>16</sup> The Point Isabel School District rejected a tax abatement offer from Rio Grande LNG.<sup>17</sup>

# Critical Delay & Canceled Carbon Capture

On August 6, 2024, the U.S. Court of Appeals for the District of Columbia issued a decision that effectively canceled the previous permit approval for Rio Grande LNG, Texas LNG, and the Rio Bravo Pipeline by the Federal Energy Regulatory Commission (FERC).<sup>18</sup> FERC will now have to reconsider the impacts of all three projects, with a new draft supplemental environmental impact statement (EIS) and a new public comment period, before deciding whether to issue new project permits.

The court agreed with petitioners - Sierra Club, City of Port Isabel, Carrizo/Comecrudo Tribe of Texas, and Vecinos para el Bienestar de la Comunidad Costera, that FERC failed to comply with the National Environmental Policy Act and Natural Gas Act requirements. According to the ruling, FERC erred when it declined to issue supplemental environmental impact statements updating environmental justice analyses for each project.

The U.S. Court of Appeals also ruled that the FERC erred in failing to issue a supplemental EIS on the carbon capture and storage (CCS) proposed for Rio Grande LNG. NextDecade claimed that the CCS project would offer “CO2 emissions reduction of more than 90 percent,” and would “permanently store more than 5 million metric tonnes of CO2 per year.”<sup>19</sup> Rio Grande LNG had filed a separate docket proposal with FERC to add a CCS system to its terminal design. However, FERC was unable to assess the system since Rio Grande LNG failed to provide “complete and timely responses” to several data requests. Nonetheless, FERC approved the terminals’ permits without evaluating the CCS proposal.

NextDecade has subsequently dropped the CCS proposal, stating that it is “not sufficiently developed to allow FERC review to continue at this time.”<sup>20</sup> The U.S. Court of Appeals anticipated this move, however, and stated that even if the CCS is canceled, “the Commission must, at the very least, analyze the proposal as an alternative via a supplemental EIS before reauthorizing the Rio Grande terminal.”<sup>21</sup>

That NextDecade was so quick to drop the CCS proposal raises questions about the sincerity of their climate ambitions. As part

of earlier court proceedings in 2021 favoring environmental and community challenges, Rio Grande LNG proposed adding the CCS system to its terminal design. This proposal also coincided with a gas purchase agreement with French multinational utility Engie that was scuttled over environmental and climate concerns.<sup>22</sup> Their recent sales contracts with Aramco and EQT likely replace any business they might lose over the CCS debacle. The fate of NextDecade’s engineering services agreement for the CCS with Japanese company Mitsubishi Heavy Industries is unknown.<sup>23</sup>

NextDecade’s claims to be working towards a “net zero future” hinged on the spurious CCS project. NextDecade has no other public plans for reaching net-zero emissions. It is also unclear what will become of NextDecade’s subsidiary, NEXT Carbon Solutions, the entity that would be implementing the CCS project.

Enbridge, the Canadian energy company behind the 137-mile-long Rio Bravo Pipeline project connecting Agua Dulce and Rio Grande LNG, cannot begin construction until all permits have been finalized.<sup>24</sup> Enbridge lost a court case in early 2024 claiming eminent domain on the Rio Bravo pipeline route.<sup>25</sup> Enbridge has an aggressive history of disregarding Indigenous rights, human rights, and community safety through their activities and part ownership of the Dakota Access Pipeline, Line 3, and Line 5 oil projects.<sup>26</sup>

In August 2024, the South Texas Environmental Justice Network challenged the Texas Commission on Environmental Quality (TCEQ)’s Executive Director’s decision to extend the air pollution permit for Texas LNG.<sup>27</sup>

Community advocates vow to continue challenging construction operations and permits for the LNG projects. As LNG companies like NextDecade and Enbridge begin staging equipment on the lands, community members have started staging their acts of opposition.<sup>28</sup> The Carrizo/Comecrudo Tribe of Texas (Esto’k Gna), which has not been consulted or provided consent to any of the LNG projects,<sup>29</sup> owns several acres of land directly impacted by Enbridge’s Rio Bravo Pipeline route and will continue opposing the pipeline.

# Economic Risks

Megaprojects come with big risks. Just one day before the Court of Appeals decision, NextDecade secured a \$4.3 billion engineering, procurement and construction contract with Bechtel Energy for train four at Rio Grande LNG.<sup>30</sup> Bechtel is the contractor building phase 1, trains 1-3.<sup>31</sup> Construction and the project timeline are in limbo as the court decision is implemented. Enbridge, owner of the proposed Rio Bravo gas pipeline that will be connected to Rio Grande LNG, CEO gave an optimistic estimation that the court decision may cause a six month delay to Rio Grande LNG.<sup>32</sup>

NextDecade was actively seeking financing for Rio Grande LNG's phase II, trains 4-5, through August, 2024. It is unclear if they will pursue these expansion plans.

Regulatory, legal and construction delays have plagued the LNG terminal expansion along the U.S. Gulf Coast. Rio Grande LNG took six years longer than anticipated to reach their initial FID. ExxonMobil and Qatar Energy's Golden Pass LNG terminal in Port Arthur, TX was severely delayed this year with a bankruptcy filing by lead contractor, Zachry Holdings. Zachry claimed the project was \$2.4 billion over the original budget.<sup>33</sup> Golden Pass was planned to come online in 2026, but has requested a three year extension through 2029 to finish construction.<sup>34</sup> Texas LNG is pushing against two regulatory deadlines with FERC and DOE. In May, they filed for an extension through November 2029 to complete construction.<sup>35</sup>

While NextDecade made FID in July 2023, their cash position is poor. According to their 2023 Annual Report,

*"The substantial amount of indebtedness incurred to finance construction of Phase 1 of the Rio Grande LNG Facility may adversely affect Rio Grande's cash flow and its ability to operate its business, remain in compliance with debt covenants and make payments on its indebtedness."<sup>36</sup>*

Since the announcement of the August 6 court decision repealing federal permits for Rio Grande LNG, Texas LNG and the Rio Bravo Pipeline, NextDecade's stock has fallen more than 20%.<sup>37</sup>

Rio Grande LNG is backed by Global Infrastructure Partners (GIP), a private equity firm with a minimum 46% stake whose stock fell by 40% after the court decision.<sup>38</sup> Private equity firms are exempt from financial disclosures, thus making it hard to fully evaluate the project's financial risks.<sup>39</sup>

Rio Grande LNG is the lone export terminal in NextDecade's portfolio. While they have the support of companies with deep pockets like Global Infrastructure Partners, Total Energies and Saudi Aramco, are they in a strong enough financial position to weather this current legal setback and future delays?

The Institute for Energy Economics and Financial Analysis (IEEFA) reported that the LNG industry is on track to be in oversupply within the next two years. The report projects a 40% increase in LNG supply over the next five years.<sup>40</sup> Japan, South Korea, and Europe account for more than half the demand for LNG currently, however, combined imports fell in 2023 and will likely continue to fall. The combination of these market conditions may lead to extended periods of low prices and non-existent profits.

# Emissions Risks

As the LNG industry expands, new terminals, backed by private equity, have the potential to emit 96 million metric tons of CO<sub>2</sub> equivalent annually—equal to the emissions from roughly 242 natural gas-fired power plants.<sup>41</sup>

Developers would have us believe that LNG is a bridge fuel. In reality, LNG may be worse than coal.<sup>42</sup> The industry routinely focuses only on a narrow segment of the LNG value chain, comparing emissions from power plants burning gas versus coal. Life cycle analysis – looking at methane emissions from extraction to transportation to burning in power plants – dramatically increases the modeled methane emissions from LNG.<sup>43</sup>

Meanwhile, the pollution from Rio Grande LNG – which will include harmful methane, benzene, and volatile organic compounds – would cause respiratory illnesses, harm a developing fetus, release cancer-causing pollutants, and ultimately cause premature deaths in the region that has low access to healthcare.<sup>44</sup> These impacts would hit low-income families of color the hardest.

Previous court decisions noted that exposure to pollutants from the terminals for environmental justice communities had not been fully assessed. Previous permits also have not fully assessed significant climate impacts of the projects.

## SpaceX: Increased & regular explosions

The proposed sites for Rio Grande LNG and Texas LNG are immediately adjacent to the Brownsville Ship Channel. The terminals will have devastating and significant cumulative impacts on soils, air and water quality, vegetation, wildlife, threatened and endangered species, tourism, commercial fisheries, and noise. Worse, the terminals are planned only a few miles away from an existing SpaceX facility that routinely launches explosive rockets that scatter debris on the proposed methane export terminal sites.<sup>45</sup>



Burning debris on an explosive methane gas terminal is a recipe for disaster. Both private space rockets and LNG export terminals are already under-regulated. In November of 2023, Elon Musk's launch of the Starship/SuperHeavy, the largest rocket in human history, caused an earthquake that was felt more than 20 miles away from the pad and shook the proposed LNG sites and low-income neighborhoods.<sup>46</sup>

For years, residents, organizations, and lawyers have submitted public comments asking for robust safety risk assessments of LNG and SpaceX. Their concerns have remained unanswered by the Federal Aviation Administration (FAA) and FERC.<sup>47</sup> SpaceX is currently asking for an additional license from regulators to launch the rocket up to 25 times annually.<sup>48</sup>

Given the increased risk of explosion from SpaceX, lack of consultation and consent from Tribal communities, significant economic and environmental justice risks, there should be no rush to build these export terminals and pipeline.

**PHOTO:** South Texas Environmental Justice Network

# *Demands*

The companies behind these two methane export terminals and associated pipeline come with devastating impacts. Acknowledging the risks of these projects — including risks to local communities and ecosystems, the climate, and their own reputations — banks, financial institutions, or decision-makers:

## **Banks & Financial Institutions**

- » Should not continue to provide any direct or indirect financial services for the development or operation of new and expanded methane export facilities; specifically Texas LNG, Rio Grande LNG, and Rio Bravo Pipeline, or any such gas infrastructure projects planned in the Rio Grande Valley.
- » Should not support any methane export facility that exacerbates environmental injustice to ensure that low-income communities of color communities do not suffer disproportionately from hazardous pollution.
- » Should decline any future transactions or financial services for methane export facilities and associated infrastructure that do not meet the requirements of Free, Prior and Informed Consent of Indigenous Peoples in their ancestral territories.
- » Should stop support, through any direct or indirect means for fossil fuel expansion, in line with the conclusions of the International Energy Agency “Net Zero by 2050” report.
- » Banks and financial institutions must align their overall corporate policy, portfolios and dealbooks with a 1.5 degree global temperature scenario.



# Endnotes

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