

Written Testimony of Bruce McKay, Senior Director, BHE Gas Transmission & Storage

Senate Environmental Resources and Energy Committee

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My name is Bruce McKay and I am the Senior Director of External Affairs for BHE Gas Transmission & Storage (BHE GT&S), a subsidiary of Berkshire Hathaway Energy.

BHE GT&S is headquartered in Richmond, VA, and operates a system of natural gas pipelines, gas storage, and liquefied natural gas (LNG) facilities across 10 states in the eastern United States. BHE GT&S holds 25% ownership and full operational control of the Cove Point LNG terminal near Lusby, Maryland, on the Chesapeake Bay. The other owners of Cove Point are Dominion Energy and Brookfield, investing through its Super Core-infrastructure fund.

I will first share with the Committee a brief overview of the 50-year history of Cove Point as it evolved from an import terminal in the late 1970s to today being one of the leading LNG export facilities in the U.S. I will then describe the significant local, state, regional, and global benefits that are derived from its operations.

Cove Point was authorized as an LNG import terminal by the Federal Energy Regulatory Commission (FERC) in 1972 and began receiving cargoes in 1978. This was at a time when it appeared that the U.S. would not be able to meet its growing gas demand with domestic production alone. Between 1978 and 1980 shipments were received from Algeria. Then, in 1980, shifting markets and pricing led to Cove Point being mothballed.

In 2001, it again appeared that the U.S. was going to need to rely on gas imports to meet demand in the decades to come, with some predicting as high as a 30% dependency on foreign sources. In response, FERC authorized the reactivation and expansion of Cove Point to again begin importing.

Soon after the expansion project was completed and imports had resumed, technological advances such as hydraulic fracturing and horizontal drilling once again dramatically changed the domestic supply picture, such that the U.S. could soon be in a position to produce gas in volumes great enough to sell a portion overseas. In 2014, after extensive state and federal environmental and safety reviews, FERC authorized Cove Point to add the ability to liquify gas for exportation. In 2018 exports began, following an additional \$4 billion investment. Cove Point is now able to liquify approximately 750 million cubic feet of gas per day.

Commercially, Cove Point contracted with Sumitomo Corporation of Japan and GAIL Limited of India for each to take one-half of the plant's liquification capacity for a 20-year period. Note that Cove Point does not buy and sell the gas. Instead, the terminal operates as a tolling facility, meaning that each of the two liquefaction customers is responsible for sourcing and transporting gas to the terminal by pipeline. Cove Point then liquefies, stores, and loads the LNG onto ships the customers have arranged. Sumitomo and GAIL decide the ships' destinations. They are not bound to send them only to Japan and India, respectively. At times, market conditions cause shipments to be sent to any number of receiving terminals around the world.

For gas supply, in the case of Sumitomo, the company contracts with gas producer Coterra Energy, which currently delivers gas produced in Susquehanna County, Pennsylvania. GAIL procures its gas supply from Antero Resources Corporation.

Since 2018, Cove Point has loaded over 300 ships for export. For a point of reference, a typical LNG ship carries enough gas to supply the country of Spain for all of its residential heating needs for a day. Those shipments from Cove Point have now delivered LNG to 27 countries around the world, with a majority going to Europe in 2022.

It is important to mention that adding liquefaction and export capability did not affect the ability to import LNG should circumstances warrant it.

I mentioned earlier, there are significant benefits derived from Cove Point's current export operations. I will now expand on that.

We recently engaged the Sage Policy Group of Baltimore, Maryland, to conduct an economic and fiscal review of Cove Point since the last expansion for export. Below I highlight some of the findings, starting locally and ending globally:

Local:

- Just under \$2 billion in wages was paid to a total workforce of more than 10,000 during the four-year construction period. The liquefaction job was done under a project labor agreement with the North American Building Trades Unions. The Cove Point liquification project is a point of pride for both our company and the unions as an example of what can be achieved together. The project was delivered on time and on budget, with a safety record practically unheard of for such large and complicated construction projects.
- Cove Point is the single largest taxpayer in Calvert County, paying \$64 million in Payment in Lieu of Taxes, or 14% of the County's general revenue.
- We employ over 200 workers with an annual payroll of more than \$35 million.

- Cove Point has issued over \$2 million in grants to local non-profit groups in the area since 2018.

Statewide:

- Operations at Cove Point contribute \$130 million in economic activity annually in Maryland.
- LNG exports from Cove Point represented more than 10% of Maryland's total exports between 2018-2020.
- We believe the \$4 billion export project is the largest private construction project ever undertaken in Maryland history.

Regional:

- Connected by pipeline to the shale gas region of PA, OH and WV, Cove Point indirectly supports hundreds of regional jobs and economic activity connected to natural gas production, processing, storage, and transportation.
- Wilkes-Barre, Pennsylvania, company Air Products manufactured the heat exchanger for chilling the gas, the single most expensive piece of equipment that went into the \$4 billion export project and Air Products' first such heat exchanger sale in the U.S.

Global:

- More than 25 countries have benefitted from access to competitive natural gas supplies.
- U.S. allies in Europe have an alternative to pipeline gas.
- The Sage Policy Group estimates that LNG exports to India alone reduced greenhouse gas emissions by 1.6 million tons between 2018 and 2022.

To summarize, our company is very proud to operate what is a world class LNG terminal a relatively short distance from where we are today and from the world class Marcellus and Utica shale formations. We are particularly proud of our outstanding safety and environmental respect record and our commitment to the community which hosts the facility.

Thank you for the opportunity to share the story of the Cove Point LNG terminal.