



Politicians Fret as US Northeast Faces Pricey Winter

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November 23, 2022

Consumers in the Northeast of the US could find themselves competing on the international markets for fuel to heat their homes this winter. A lack of infrastructure connecting New England to the rest of the country and minefield of legacy US energy policies leave the region's energy situation looking more like that of European countries than US states. Just two pipelines totaling 3.1 billion cubic feet per day of capacity feed the region and it has little gas storage, according to the nonprofit Energy Policy Research Foundation. That means power companies must turn to the global LNG market when gas use spikes, especially in cold winter months (see table). The Energy Information Administration is projecting residential retail prices of \$21.70 per thousand cubic feet in the first quarter of 2023, about 50% higher than the national average. The lack of gas also has left the area heavily reliant on home heating oil. But inventories for distillate fuel oils are significantly lower than in years past and two refineries feeding the region facing extended maintenance. Officials want to avoid a winter with soaring heating prices or, worse, one where customers struggle to find oil to fill up heating tanks.

The Biden administration for months has warned about low inventories for fossil fuels and is eyeing its options to address the issue. It so far has declined to take the step most vocally opposed by industry — to restrict products exports — but officials have repeatedly said all options are on the table. This could include requiring private companies to keep more inventories on hand in the US. Such a move would limit exports at a time when refiners have been incentivized to sell into high-priced overseas markets but would have a muted impact compared to an outright ban on selling abroad. US Energy Secretary Jennifer Granholm said in an interview last week that more legislation might be needed to allow the administration to require private inventory minimums. However, analysts at Clearview Energy Partners posit that the International Emergency Economic Powers Act gives the administration authority to move ahead. Congress also is considering expanding the home heating oil reserve and the US Department of Energy (DOE) seems to be giving itself an opening for storing liquid fuels in the Strategic Petroleum Reserve by signing off on new language this year allowing for the storage of “petroleum products” rather than simply petroleum. But even successful legislation or a commitment from the DOE to begin storing products won't give price relief this winter.

Analysts regularly point to the Jones Act — which restricts shipping options between US ports to protect the domestic maritime industry — as a culprit for higher fuel costs in the

Northeast. But apart from one-off exemptions to the law, there is little the Biden administration can do to ease the process of shipping supplies from oil- and gas-rich areas of the country to consuming ones. The Jones Act requires vessels traveling between US ports be US-built, manned and crewed. But the US does not manufacture LNG tankers — which means Northeast consumers rely on international imports in colder months of January and February (see table). For oil trade, Jones Act restrictions mean it's cheaper to ship products to Europe than other places in the US. The Biden administration has repeatedly said it's willing to consider Jones Act waivers to help with energy security. But Congress tightened Jones Act restrictions in 2021, specifically tying blanket waivers to military readiness, says the Cato Institute's Colin Grabow. In August, Granholm told governors of Northeast states in a letter that the White House cannot issue a blanket waiver to facilitate seaborne energy trade in the US. Grabow suggests congressional fixes like a time-limited exception to get through this winter, for example, or a carve-out for LNG vessels since they are not manufactured in the US. "The administration can't issue a blanket waiver, but Congress can do whatever it wants," he said.