US LNG SHIPBUILDING CHALLENGES

CLNG supports the Administration's efforts to achieve energy dominance and U.S. LNG should play a prominent role.

However, implementation of USTR's Section 301 Remedies for China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors will cause a cascade of commercial consequences and actions detrimental to the U.S. LNG industry and allow foreign competitors an unintended opportunity to capture greater market share.

CLNG asks for an exclusion to the USTR Section 301 Remedies for U.S. LNG.

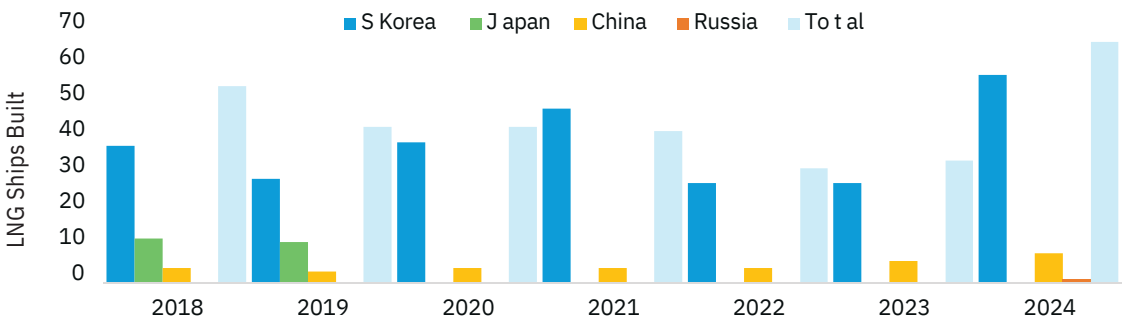
U.S. LNG export projects contribute to considerable economic advancement and jobs in the areas where facilities are located, and they increase business activity to generate tax revenue and meet the needs of those communities.

It is well established that future U.S. LNG export projects will yield economic benefits, diversify global LNG supplies, and improve energy security for U.S. allies and trading partners.

COMPLIANCE WITH USTR'S REMEDIES IS NOT POSSIBLE:

- There are currently no U.S.-made or U.S.-flagged vessels capable of exporting the quantity of LNG necessary to support current or increased U.S. LNG exports.
- The U.S. does not have the shipyard capacity, technical capability or supply chains to significantly ramp up shipbuilding of U.S. LNG carriers to meet the USTR requirements.
- The U.S. currently lacks the highly specialized and skilled crews for the operation and maintenance of LNG ships.

South Korea is the largest LNG ship builder in the world. Since 2018, 80% of the LNG vessels delivered or ordered have been or will be constructed in Korean yards. Meanwhile, 18% have been or will be constructed in Chinese yards. These countries' ability to excel in the shipbuilding industry is due to their respective government's monetary investments in the industry.[1]



Source: Wood Mackenzie

THE USTR TIMELINE OF 1% OF EXPORT VOLUME BY 2028 CANNOT BE MET:

- The U.S. hasn't built any LNG carriers since the 1970s, and current shipyard capacity is limited with ships already on order for the next few years.[2]
- Most shipyards in the U.S. do not have docks large enough (approximately 1,000 feet long) to build LNG carriers or the specialized equipment needed to build an LNG ship, which are not interchangeable with other types of vessels.[3]
- According to the GAO, the U.S. shipbuilding industrial base is already struggling to hire and retain an appropriately trained workforce.[4]
- After reworking their shipyard to accommodate the scale of an LNG ship, shipyards would need to acquire specialized LNG-containment systems, license the technology and pay licensing fees, complete a qualification process, build a mock-up of the containment system, and be certified before even beginning to build a single ship.
- Further, the majority of parts required for building an LNG carrier will be supplied by foreign companies, which is very difficult, if not impossible, to change.
- Based on 100 U.S.-built LNG carriers, the GAO estimated 4,000-5,200 skilled mariners are needed to operate a fleet of U.S.-flagged LNG vessels. Given that there are currently no U.S.-built LNG ships in service, there are very few, if any, LNG-qualified seafarers available.[5]
- The U.S. Maritime Administrator with the Department of Transportation has stated that there is already a lack of mariners to meet the current needs of commercially operated vessels in the U.S.[6]
- LNG carrier seafarers require not only basic sea experience on other vessels, but they also need specialized training to meet qualifications related to LNG handling and safety and LNG ship-specific training.

POTENTIAL IMPACTS ON THE U.S. LNG EXPORT INDUSTRY:

USTR may direct the suspension of LNG export licenses if the actions are not met, which would be detrimental to the industry.

- Suspension of a U.S. LNG terminal owner's license to operate would shut down the terminal and cause a default on contracts, putting at risk the Administration's goal of LNG energy dominance.

- 50% of all anticipated U.S. LNG exports are currently in pre-FID stages. To date, billions have been invested in sophisticated U.S. infrastructure to support LNG exports, underpinned by current transportation costs and fleet composition. The prospect of suspending export licenses is a clear and present danger to additional LNG investment. Currently, as written, USTR's remedies will stop U.S. LNG investment.

U.S. LNG will be less competitive in the global market. U.S. LNG will become more expensive and could make U.S. projects uneconomical.

The United States is the world's largest LNG exporter and will lose market share to competitors.

[1] USTR, Report on China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance – January 16, 2025; and see, https://maritime-executive.com/article/korean-government-pledges-financial-and-r-d-support-for-shipbuilders
[2] United States Government Accountability Office, Implications of Using U.S. Liquefied-Natural Gas Carriers for Exports, December 2015, https://www.gao.gov/assets/gao-16-104.pdf, at 20.
[3] Ibid.
[4] United States Government Accountability Office, Shipbuilding and Repair: Navy Needs a Strategic Approach for Private Sector Industrial Base Investments, February 2025, GAO-25-106286, SHIPBUILDING AND REPAIR: Navy Needs a Strategic Approach for Private Sector Industrial Base Investments.
[5] Ibid, at 17.
[6] Shortage Of U.S. Mariners And Recruitment and Retention in the United States Coast Guard, 118th Cong. (2023) (testimony of Ann C. Phillips).

center for LNG