Our View

US LNG Exporters Big Losers from Supreme Court Decision; AI Big Winner

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The US Supreme Court ruled today that President Trump has no authority to impose blanket tariffs indiscriminately on countries under the International Emergency Economic Powers Act. Trump had used the law to coerce the European Union, India, South Korea, and Japan into buying significant volumes of US energy exports. Most of the exports were to be liquefied natural gas (LNG). The EU, for example, had been bullied into agreeing to purchase $750 billion in exports by 2028.[1] These obligations are now null and void.

This outcome is fortuitous because US natural gas supplies would otherwise be taxed by the surge in "behind the meter" natural gas demand from AI data centers. The Energy Central news team captured the scope of that surge in its February 20 news blast:

> **Silicon Valley is building a shadow power grid—dozens of data centers with their own private gas plants, walled off from the utility system entirely. (WaPo)**
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> - Cleanview has identified 47 behind-the-meter projects across the country from major hyperscalers including Meta, OpenAI, Oracle, and Chevron.
> - One West Virginia project is permitted to generate several times the state's total residential electricity consumption. A single Texas project, GW Ranch, will consume more power than Chicago—without a *single* new transmission line.
> - Former DOE loan chief Jigar Shah called the strategy "a fairy tale concocted on the back of a napkin"—but still, billions of dollars have already been invested and several of these projects are already under construction.

We have just completed an analysis of the natural gas demand for the 47 plants identified by Cleanview. We will publish those results in the February 23 *Notes at the Margin*.

Briefly, we found that, under current circumstances, increased demand from AI data centers will force at least a 50% reduction in US natural gas exports, regardless of US prices, given the time required to boost output. As others have noted, data center owners are sparing no expense to become operational. The consequence could be gas prices so high that they make US exports uncompetitive in world markets, absent Trump's coercion of foreign buyers.

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[1] "US-EU deal sets impossible energy sales goal," Argus Media, July 28, 2025 [https://tinyurl.com/shp5rhbf].

The good news is that the Supreme Court's decision spares foreign buyers from paying exorbitant prices to US sellers because they have alternative sources, such as Qatar. While the loss of coerced sales may threaten the economics of some US LNG operators, it may also reduce data center pressure on US natural gas prices, benefiting residential consumers, utilities, and even data centers themselves.