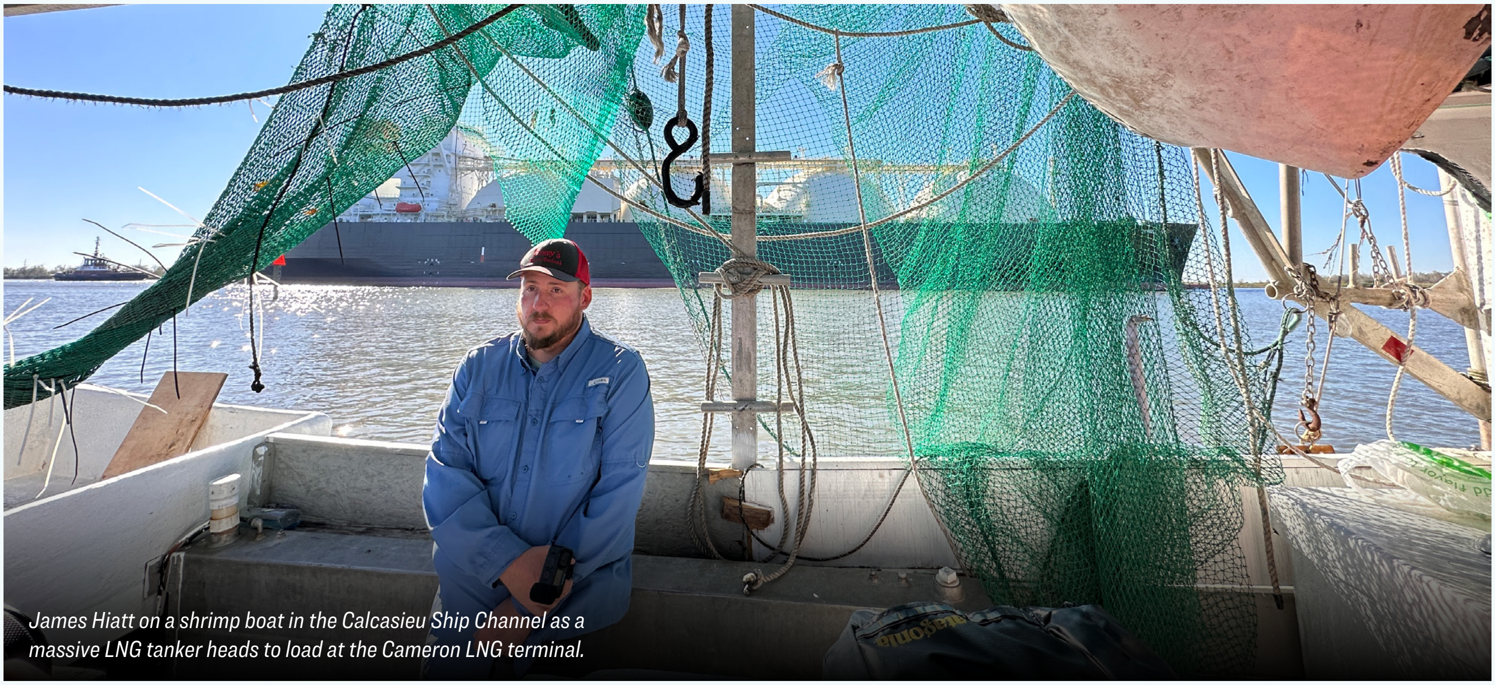
DECEMBER 2024

THE PEOPLE ALWAYS PAY

Tax Breaks Force Gulf Communities to Subsidize the LNG Industry

REPORT SUMMARY

Over the past decade, the US has seen an enormous rise in proposals to build terminals to cool, liquefy, and export fracked gas as liquefied methane gas, also called LNG. These gas exports are driven by the fracking boom of the 2000s and resulted in the United States becoming the largest exporter of gas in the world. Operating and proposed LNG terminal sites are concentrated along the Gulf Coast of Texas and Louisiana, primarily affecting coastal communities of color that are already overburdened with industrial infrastructure and pollution. Though these massive fossil fuel facilities threaten local public health, ecosystems, and industries such as tourism and fishing, as well as the global climate, LNG developers typically receive lucrative tax breaks from local and state governments. These subsidies mean that not only do local communities suffer the harms of the polluting industry in their backyards, but they also face a lack of critical funds for social services and infrastructure investment.



James Hiatt on a shrimp boat in the Calcasieu Ship Channel as a massive LNG tanker heads to load at the Cameron LNG terminal.

IN PARTNERSHIP WITH: Better Brazoria · For a Better Bayou · Healthy Gulf · IOBCWA · Port Arthur Community Action Network · Sierra Club Delta Chapter · Sierra Club Lone Star Chapter · Texas Enviro Justice Network · Vessel Project

Site of the proposed Commonwealth LNG terminal with Calcasieu Pass LNG in the background

Everyone deserves to breathe clean air, raise children without respiratory issues, and experience the benefits of economic development from non-polluting industries that pay their fair share of taxes.

The People Always Pay report reviews the major tax abatements—also referred to as tax exemptions, tax breaks, and corporate subsidies—from which the LNG export industry benefits in Louisiana and Texas:

Industrial Tax Exemption Program (ITEP)—Louisiana
Under ITEP, companies avoid paying local property taxes on manufacturing facilities for up to ten years. For most of the program's existence, ITEP applications have been greenlit without job creation requirements or approval from impacted local governments. The nine Louisiana-sited LNG export terminals in this study's scope would avoid paying $21.1 billion in property taxes under ITEP if they all come to fruition, equal to an effective subsidy of $6.7 million per job promised under the program.

Quality Jobs (QJ)—Louisiana
Eligible companies can receive a rebate on payroll taxes, as well as a rebate on state sales/use tax or project facility expenses. The Louisiana LNG export terminals in this report's scope have deals to receive $492 million in rebates under QJ.

Chapter 312 Property Tax Abatement Program—Texas
Chapter 312 allows local entities to abate up to 100% of a corporation's property tax bill for up to ten years when it builds in a reinvestment zone, creates jobs, and in some cases provides a payment in lieu of taxes. All of the Texas terminals in this report's scope have property tax abatement agreements under Chapter 312, though the impact is difficult to measure due to paltry data reporting from the state.

Chapter 313 Value Limitation Agreement Program—Texas
Until it expired at the end of 2022, Chapter 313 allowed Independent School Districts (ISDs) to cap the taxable value of industrial property in their districts for up to ten years, in exchange for a minimum investment in the area, job creation, and usually a supplemental payment to the ISD. Four of the Texas-sited LNG terminals in this study's scope have received Chapter 313 tax abatements valued at $2.1 billion, which equates to a staggering $4 million in subsidies for every job they promise to create under the program.

REPORT SUMMARY

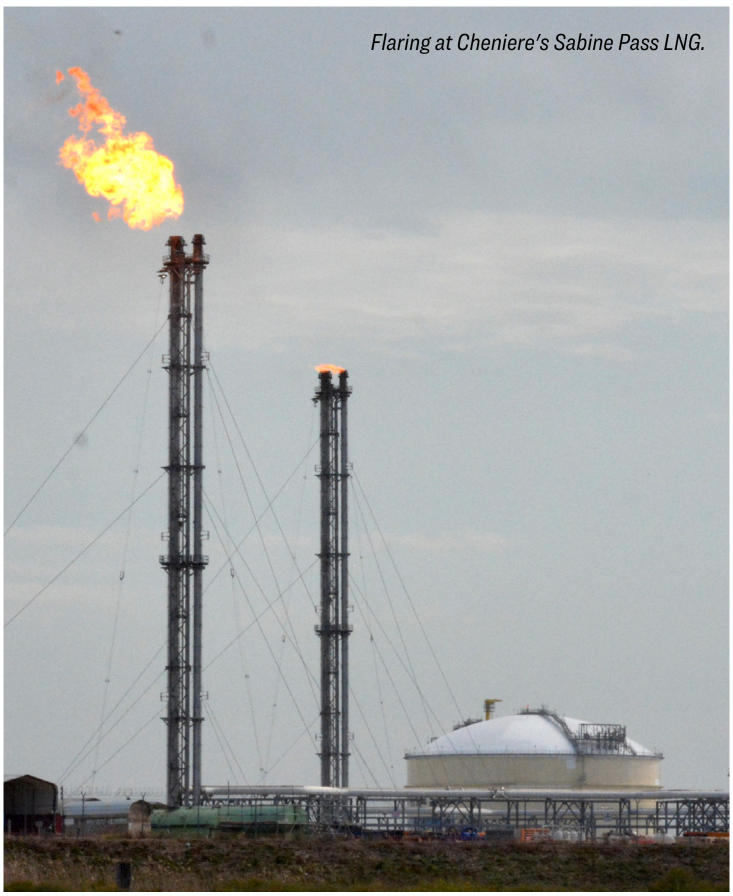
Informed by interviews with community members living on the frontlines of the LNG industry's buildout, this report contextualizes the industry's weak promises of jobs and investment, and explores how forgone tax revenue could be better spent in service of communities such as by restoring wetlands, rebuilding hurricane-damaged infrastructure, investing in air quality monitoring, and funding quality education:

Calcasieu and Cameron Parishes, Louisiana

Though they face a severe lack of investment in community infrastructure and services, Calcasieu and Cameron Parishes would forgo $20.2 billion through 2040 from their ITEP agreements if all the planned LNG export terminals are built. Woodside Louisiana LNG (formerly Driftwood LNG) would account for the biggest subsidy from Calcasieu Parish, and Sabine Pass LNG gets the biggest giveaway in Cameron Parish.

Plaquemines Parish, Louisiana

The swampy wetlands of Plaquemines Parish are being lost to climate change and the construction of Plaquemines LNG, with industry straining scarce freshwater resources. The parish's ITEP agreement with Plaquemines LNG means it loses out on $834 million in revenue over the next ten years.



Flaring at Cheniere's Sabine Pass LNG.

Port Arthur and the Golden Triangle, Texas

LNG is only the latest heavy industry to threaten the health of Golden Triangle residents. Despite the area's chronic health issues and crumbling infrastructure, Golden Pass LNG and Port Arthur LNG are granted a combined $929 million in corporate subsidies under Chapter 313.

Freeport, Texas

An explosion at the Freeport LNG terminal in 2022 was but one stark reminder of the industry's impacts in the area. Freeport LNG's Chapter 313 agreements amount to a $447 million subsidy, though one-fifth of that giveaway could be averted if the terminal's proposed expansion is never built.

San Patricio and Nueces Counties, Texas

LNG and the other petrochemical companies operating in the region raise residents' fears of water scarcity, erosion of the Bay, and air pollution. The ever-expanding Corpus Christi LNG terminal has Chapter 313 agreements that would grant a $762 million subsidy, $138 million of which could be avoided if the terminal's latest expansion is not approved.

Brownsville, Texas

The local ISD bucked the trend and rejected Chapter 313 tax abatements for the two LNG terminals proposed in Brownsville, which would threaten Indigenous sacred sites and ecosystems that have yet to be overrun with industrial development. Both terminals have deals under Chapter 312 to avoid paying property taxes.

These massive tax exemptions deprive local communities of sorely needed funds for decades, all while subsidizing harmful industrial development. Everyone deserves to breathe clean air, raise children without respiratory issues, and experience the benefits of economic development from non-polluting industries that pay their fair share of taxes. The best place to start ensuring this is a reality is with communities like those explored in this report.

SUMMARY TABLES

The ITEP and Chapter 313 tax abatements take effect when a project comes online, meaning in the case of tax abatement agreements for LNG projects still in the planning stage, corporate giveaways could still be avoided if the harmful projects are never built.

LOUISIANA

Terminal	Parish	Value of ITEP Subsidy	Share of ITEP Subsidy for Planned Projects	ITEP Subsidy per Job Promised
Sabine Pass LNG	Cameron	$4.9 B	0%	$4.5 M
Cameron LNG	Cameron	$3.7 B	0%	$8.5 M
Calcasieu Pass LNG	Cameron	$2.9 B	0%	$7.8 M
Woodside Louisiana LNG, formerly Driftwood LNG	Calcasieu	$2.8 B	100%	$8.1 M
CP2 LNG	Cameron	$2.7 B	100%	$13.5 M
Lake Charles LNG	Calcasieu	$1.9 B	100%	$13.1 M
Plaquemines LNG	Plaquemines	$834 M	0%	$2.8 M
Commonwealth LNG	Cameron	$746 M	100%	$14.9 M
Magnolia LNG	Calcasieu	$501 M	100%	$2.6 M

TEXAS

Terminal	County	Value of Chapter 313 Subsidy	Share of Chapter 313 Subsidy for Planned Projects	Chapter 313 Subsidy per Job Promised
Corpus Christi LNG	San Patricio	$762 M	18%	$3 M
Port Arthur LNG	Jefferson	$694 M	35%	$35 M
Freeport LNG	Brazoria	$447 M	17%	$2 M
Golden Pass LNG	Jefferson	$235 M	0%	$4 M
Rio Grande LNG	Cameron	Application Rejected	N/A	N/A
Texas LNG	Cameron	Application Rejected	N/A	N/A

For the full report including quotes from frontline authors, methodology, citations, and more, visit: sc.org/LNGtax

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