

THE RIO GRANDE LNG PROJECT, A THREAT TO THE CLIMATE AND COMMUNITIES

The Rio Grande LNG methane export terminal proposed near the Port of Brownsville, South Texas, would be the “largest greenfield energy project financing in U.S. history,” according to NextDecade Corp., the company behind the project. This massive LNG export terminal would have a liquefaction capacity of 27 million tonnes per annum (Mtpa). If built, the project would contribute to the emissions of over 191 million tonnes of carbon dioxide equivalent (CO₂e) per year and violate the rights of Indigenous communities, negatively affecting them.

The Rio Grande LNG project is iconic for its size and for its location – the Gulf Coast of Texas is a major hotspot for LNG expansion in the United States (US), with another proposed export terminal, Glenfarne’s Texas LNG, adjacent to it, and the Space X base, where the most powerful rockets in the world are launched, just a few miles away. The Rio Grande LNG project further involves the construction of the 137-mile-long Rio Bravo Pipeline by Enbridge. Oil and gas diversified companies are also part of the project: TotalEnergies and Saudi Aramco signed long-term offtake contracts to secure LNG support, while Abu Dhabi National Oil Company (ADNOC) acquired an 11.7% stake in phase 1 of the project in 2024.

The Rio Grande LNG export terminal will contribute to the emissions of 191 million tonnes of CO₂e per year¹ –equivalent to 49² coal plants, as the terminal will be fueled by gas extract through hydraulic fracturing from the Permian Basin and Eagle Ford shale. In the United States, 78% of the gas produced comes from shale gas, which involves an extraction process that releases wide amounts of methane. Considering its size and its lifespan –several decades-, this project could contribute to burying the hope of limiting global warming to 1.5°C.

The Rio Grande LNG project would have

harmful health effects on the communities located nearby due to emissions of pollutants such as fine particulate matter (PM_{2.5}), benzene, and ozone (O₃), a pollutant damaging for human health, ecosystems and crops.³ LNG processing and storage facilities are also associated with water contamination and risks of explosion, while LNG pipelines can result in dangerous gas leaks.⁴

The project also violates the Free, Prior and Informed Consent (FPIC) principle: the Carrizo/Comecrudo Tribe of Texas – which lives along the South Texas Rio Grande delta – was neither consulted⁵ nor provided consent to the Rio Grande project or Enbridge’s Rio Bravo Pipeline, as well as other LNG projects in the area. The Rio Grande LNG project contains land that is sacred to the Tribe, and Glenfarne’s Texas LNG terminal site contains Garcia Pasture, a sacred burial site. The Tribe of Texas has thus long opposed and mobilized against the permits and construction operations.

Strong opposition from frontline community groups and the Tribe both in the field and in legal battles over the last years has resulted in several significant delays and setbacks for NextDecade’s project. The company planned to obtain the Rio Grande LNG terminal’s final investment decision (FID) in 2017 and to start operation by the end of 2020, but the project



phase 1 for trains 1-3 with a 17 Mtpa capacity only reached FID in July 2023. Private equity firm Global Infrastructures Partners (GIP) was instrumental in the FID, as it provided the necessary financing commitment, owning 46% of the US\$18 billion project phase 1. Construction has now begun on the first phase of Rio Grande LNG. Yet, the legal battle is not over, and the project suffered a new setback in August 2024 when the court overturned the project's approval granted by the Federal Energy Regulatory Commission (FERC) over insufficient assessment of the environmental impact analyses. The terminal's permits were approved despite NextDecade failing to provide the data requested by FERC regarding its associated carbon capture and storage (CCS) project, which the company claimed would reduce over 90% of the terminal's CO2 emissions. Rio Grande LNG dropped the proposed CCS mechanism after the court asked to review the plans. FERC now must restart the assessment of the impacts of the entire project to decide if it will deliver new permits. With NextDecade dropping its CCS mechanism, questions loom over its initial statement of intention to develop it, since CCS technology has not yet been proven successful in capturing carbon dioxide released from fossil fuel processing.⁶ This new setback could result in delays, or the cancellation of the project's train 4, in order to reach FID – which the company initially planned in 2024.⁷

Taking stock of these difficulties, several financial institutions announced in 2022 and 2023 that they would not finance the project, including the French banks BNP Paribas, La Banque Postale and Société Générale,⁸ and the Japanese bank SMBC which was an initial adviser to NextDecade. The insurance firm Chubb also dropped its support of the project.⁹

The largest banks poured a total of US\$12.3 billion directly into the project through project finance in July 2023. Among the banks involved were Mizuho, Mitsubishi UFJ Financial Group (MUFG), Intesa Sanpaolo and Santander, who provided almost US\$1.2 billion each in syndicated loans. In addition to this loan package, Rio Grande LNG issued a US\$800 million credit facility, backed by TotalEnergies, and a US\$700 million corporate bond. The Japanese mega bank MUFG was the sole lender on this credit facility. As a result, MUFG alone lent nearly US\$2 billion to see this greenfield export terminal to fruition.¹⁰

The 400 investors we analyzed are exposed to NextDecade by up to US\$960 million as of May 2024 for its LNG expansion, with York Capital Management, HGC Next Inv and BlackRock being the most exposed to the company.

“The pipelines and LNG projects will destroy our sacred ancestral land and export its resources. The lack of due diligence continues dehumanizing the original people of Texas by separating us from our environment and our ancestors. Our Tribal Identity was clean water, clean land and clean air. Such projects continue the process of colonization by contaminating our water and land and polluting our air.”

Juan B. Mancias, Tribal Chairman, Carrizo/Comecrudo Tribe of Texas

References

1. Sierra Club, [US LNG Export Tracker](#) (GHG Emissions tab)
2. Considering that a typical 1 GW coal plant emits 6.3 million tons CO2e per year, according to the [Global Energy Monitor](#).
3. In the United States, LNG facilities in operation result in 60 premature deaths and US\$957 million of health costs annually, linked to asthma and cancer among other things. By 2050, if all projected LNG infrastructure were to be built, these figures would reach respectively 4,470 and US\$62 billion per year. Greenpeace and Sierra Club, [Permit to Kill: Potential Health and Economic Impacts from U.S. LNG Export Terminal Permitted Emissions](#), August 2024
4. The Magazine for Environmental Managers, [Liquefied Natural Gas: The 21st Century Myth of Green Fossil Fuel for the Shipping Industry](#), December 2022
5. Inside Climate News, [Forgotten Keepers of the Rio Grande Delta: a Native Elder Fights Fossil Fuel Companies in Texas](#), May 2024
6. RAN, [Greenwashing Alert: NextDecade Cancels Carbon Capture](#), October 2024
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8. Gas Outlook, [Rio Grande LNG loses key financial backer](#), March 2023; Reuters, [SocGen says it has pulled out of Texas LNG project](#), March 2023
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10. UNITED STATES SECURITIES AND EXCHANGE COMMISSION, [QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15\(d\) OF THE SECURITIES EXCHANGE ACT OF 1934](#), June 2023