

BILL ANALYSIS

Senate Research Center
89R21771 JRR-D

C.S.S.B. 2037
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Natural Resources
4/2/2025
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The liquefied natural gas (LNG) industry is vital to Texas' energy sector, supported by natural gas reserves and infrastructure. In response to the Biden Administration's January 2024 pause on LNG export approvals to non-FTA countries, the House Select Committee on Protecting Texas LNG Exports recommended streamlining state permitting and reducing delays. Currently, LNG companies must navigate both federal and state permitting, including air-quality permits from the Texas Commission on Environmental Quality (TCEQ). As global demand for LNG grows, clear and efficient permitting timelines are essential for Texas' economic growth.

Texas exported over 1.3 billion cubic feet of LNG in 2023, representing 31 percent of U.S. exports. With four LNG facilities under construction and two approved but not yet built, delays in air permitting processes have led to approval timelines of up to three years for minor amendments. This contested case process unique to Texas adds six to 12 months compared to states like Louisiana.

As the global demand for LNG continues to expand rapidly, reasonable and defined permitting timelines are necessary for the industry to continue to add to Texas' economy. S.B. 2037 seeks to streamline and accelerate the permitting process by establishing clear procedures for contested case hearings and implementing additional fees for expedited applications.

C.S.S.B. 2037 amends current law relating to permit application review and contested case procedures for environmental permits involving a project to construct or modify a liquefied natural gas export terminal and authorizes a fee.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Commission on Environmental Quality in SECTION 2 (Section 5.559, Water Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 5.555, Water Code, by adding Subsection (a-1), sa follows:

(a-1) Requires the executive director of the Texas Commission on Environmental Quality (executive director), with respect to a permit application filed with the Texas Commission on Environmental Quality (TCEQ) for a project to construct or modify a liquefied natural gas export terminal or a renewal of that permit, to provide each response required by Subsection (a) (relating to requiring the executive director to file with the chief clerk a response to each relevant and material public comment) not later than the 120th day after the close of the public comment period.

SECTION 2. Amends Subchapter M, Chapter 5, Water Code, by adding Section 5.559, as follows:

Sec. 5.559. PROCEDURES FOR PERMIT APPLICATION REVIEW AND CONTESTED CASES INVOLVING PROJECT TO CONSTRUCT OR MODIFY LIQUEFIED NATURAL GAS EXPORT TERMINAL. (a) Provides that this section

applies only to a permit application filed with the TCEQ for a project to construct or modify a liquefied natural gas export terminal.

(b) Requires TCEQ by rule to establish an expedited permit application review process for permit applications described by Subsection (a). Requires that rules adopted under this subsection require an applicant who elects the expedited permit application review process to pay an additional fee in an amount TCEQ determines is necessary to cover the costs of the expedited review. Requires that the additional fee collected pursuant to this subsection be deposited to the credit of a special account in the general revenue fund and authorizes it to be used only for the administration of the expedited permit application established under this subsection.

(c) Requires the party requesting a contested hearing case involving a permit application described by Subsection (a), in a request for a contested hearing to specify each reason the party is an affected person as defined by Section 5.115(a) (relating to defining "affected person," "person affected," or "person who may be affected"). Provides that, in determining whether a party is an affected person, the administrative law judge is authorized to only consider the reasons specified by:

(1) the party in the party's request for a contested case hearing; and

(2) the permit applicant in a response submitted under Subsection (d) regarding why the requesting party should or should not be considered an affected party.

(d) Requires a permit application to submit any response described by Subsection (c)(2) not later than the 20th day after the date TCEQ refers the case to the State Office of Administrative Hearings (SOAH) or a later date authorized by the administrative law judge.

(e) Authorizes an administrative law judge, in a contested case involving a permit application described by Subsection (a), to set a date for the preliminary hearing not later than the 30th day after the date TCEQ refers the case to SOAH.

(f) Requires TCEQ to adopt rules as necessary to implement this section.

SECTION 3. Amends Section 382.056, Health and Safety Code, by adding Subsection (l-1) and amending Subsection (n), as follows:

(l-1) Requires the executive director, with respect to a permit application filed with TCEQ under Section 382.0518 (Preconstruction Permit) for a project to construct or modify a liquefied natural gas export terminal or a renewal review of that permit under Section 382.055 (Review and Renewal of Preconstruction Permit), to provide each response required by Subsection (l) (relating to requiring the executive director to file with the chief clerk a response to each relevant and material public comment) not later than the 120th day after the close of the public comment period.

(n) Requires TCEQ, except as provided by Section 382.0561 (Federal Operating Permit; Hearing), to consider a request that TCEQ reconsider the executive director's decision or hold a contested case hearing, rather than a public hearing, in accordance with the procedure provided by Sections 5.556 (Request for Reconsideration or Contested Case Hearing) and 5.557 (Direct Referral to Contested Case Hearing), Water Code.

SECTION 4. Makes application of this Act prospective.

SECTION 5. Effective date: September 1, 2025.