



Industrial Energy Consumers of America

The Voice of the Industrial Energy Consumers

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January 22, 2020

The Honorable Frank Pallone
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
2107 Rayburn House Office Building
Washington, DC 20515

The Honorable Greg Walden
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
2185 Rayburn House Office Building
Washington, DC 20515

The Honorable Lisa Murkowski
Chairman
Committee on Energy and Natural
Resources
U.S. Senate
522 Hart Senate Office Building
Washington, DC 20510

The Honorable Joe Manchin
Ranking Member
Committee on Energy and Natural
Resources
U.S. Senate
306 Hart Senate Office Building
Washington, DC 20510

Re: Give FERC Interstate Natural Gas Pipeline Capacity Reliability Oversight Authority - LNG and Pipeline Exports Decrease Availability of Pipeline Capacity for Domestic Consumers

Unlike the electricity market where Congress granted the North American Electric Reliability Corporation (NERC) nationwide market reliability oversight, there is no such oversight for natural gas pipeline reliability. There is no federal agency which monitors the availability of natural gas pipeline capacity to ensure reliability. It is vital to know that there is sufficient natural gas pipeline capacity to serve increasing domestic and export demand, especially at peak winter and summer demand, and with consideration to aging pipelines and replacement. Both natural gas and electric reliability is at stake. It is for these reasons that we urge Congress to take urgent bipartisan action to give the Federal Energy Regulatory Commission (FERC) such authority.

Natural gas pipeline capacity is critical to the growth of the entire manufacturing sector, which contributes \$2.3 trillion to the U.S. GDP and 12.8 million jobs.¹ Industrial natural gas demand represents 28 percent of total U.S. demand and manufacturers do not have

¹ Value Added by Industry, U.S. Bureau of Economic Analysis (BEA), <https://www.bea.gov/> and Employment, Hours, and Earnings, U.S. Bureau of Labor Statistics (BLS), <https://www.bls.gov/>

an economic alternative.² Reliability of pipeline capacity is critical. Manufacturers operate 24/7. If there is inadequate pipeline capacity, we are forced to cut back or stop manufacturing operations. This could result in millions of dollars of additional costs that may result in the permanent closure of facilities resulting in the loss of valuable high-paying jobs. The same is true for reliability of electricity, a sector that has become largely dependent upon natural gas for its generation. Here again, manufacturers are already impacted by decreasing power quality.

ISSUES TO CONSIDER

1. LNG and natural gas exports to Mexico decrease natural gas pipeline capacity for domestic consumers.

Accelerating export volumes are reason enough to justify pipeline capacity oversight. *It is important for policymakers to understand that export volumes decrease available pipeline capacity for the domestic market because the exported natural gas is going offshore to supply other countries, not U.S. consumers.* Exporters have locked up long-term pipeline capacity contracts, capacity that is now no longer available to domestic consumers for years to come. The point is, there is LESS available pipeline capacity for domestic consumers than what is thought. The same concerns exist for the availability of natural gas that is in storage.

Natural gas exports are forecasted to account for 75 percent of U.S. demand growth over the next five years, increasing market share from 10 to 20 percent.³ LNG exports alone will reach 13 Bcf/d by 2024, four years away. It takes longer than four years to permit and place a pipeline in service. The FERC has approved LNG exports equal to an additional 21 Bcf/day, a volume equal to 26 percent of demand that is not yet under construction.⁴

2. Domestic and net export demand has increased substantially consuming much of the available pipeline capacity.

Concern is justified. The National Petroleum Council released a report in December 2019, which states, “The United States has a vast oil and natural gas infrastructure network, but existing infrastructure has been modified and adapted to near capacity.” “However, there are rising levels of opposition to permitting and siting of new and modified infrastructure. Some major projects have been delayed or impeded, and the trend is concerning.”⁵

² Natural Gas, U.S. Energy Information Administration (EIA), <https://www.eia.gov/naturalgas/>

³ S&P Global, Platts

⁴ LNG Exports, FERC, <https://www.ferc.gov/industries/gas/indus-act/lng.asp>, January 21, 2020

⁵ National Petroleum Council, Dynamic Delivery, December 12, 2019

https://dynamicdelivery.npc.org/files/Infra-Exec_Summary-12-12-2019-FINAL.pdf

The Interstate Natural Gas Association of America's (INGAA) Foundation released a report in June 2018 which states that 26,000 miles of natural gas pipeline is needed by 2035, only fifteen years from now,⁶ an average of 1,400 miles of new pipeline placed in service each year. According to the FERC, 5,762 miles of interstate natural gas pipelines have been placed in service from 2010 to 2019, an average of 576 miles per year, less than one-half of what INGAA states is needed.⁷

3. Insufficient pipeline capacity is already a problem regionally and pipelines are getting more difficult to build and longer to place them into service.

Regional shortages of natural gas pipeline capacity already exist, preventing manufacturing companies from expanding facilities and building cogeneration of power and steam for their facilities. Opposition to new pipelines by protestors often result in legal action which slows down or stops the construction of pipelines and substantially increases the costs of the pipeline, which are then passed onto us, domestic consumers. It is important to remember that interstate natural gas pipelines are monopolies and consumers cannot avoid paying these higher costs.

In closing, it was not until the August's 2003 electricity blackout, as 50 million people lost power in the Northeastern and Midwestern U.S. and Ontario, Canada, that Congress took decisive action to prevent future blackouts. Congress recognized the interconnected nature of the bulk power grid. The same holds true for natural gas pipeline capacity. Congress has the latitude to act now, to avoid a potential crisis by taking common sense action in 2020.

On behalf of the manufacturing sector and all U.S. consumers, we urge you to act to give the FERC natural gas pipeline capacity oversight to avoid reliability issues for natural gas and electricity.

Sincerely,

Paul N. Cicio
President

cc: The Honorable Dan Brouillette
The Honorable Neil Chatterjee
The Honorable Richard Glick
The Honorable Bernard McNamee

⁶ INGAA: North America Midstream Infrastructure through 2035;
<https://www.ingaa.org/File.aspx?id=34658>

⁷ Federal Energy Regulatory Commission: <https://www.ferc.gov/industries/gas/indus-act/pipelines.asp>
FERC data, as of November, 2019

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.0 trillion in annual sales, over 3,700 facilities nationwide, and with more than 1.7 million employees. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, brewing, independent oil refining, and cement.