



Industrial Energy Consumers of America

The Voice of the Industrial Energy Consumers

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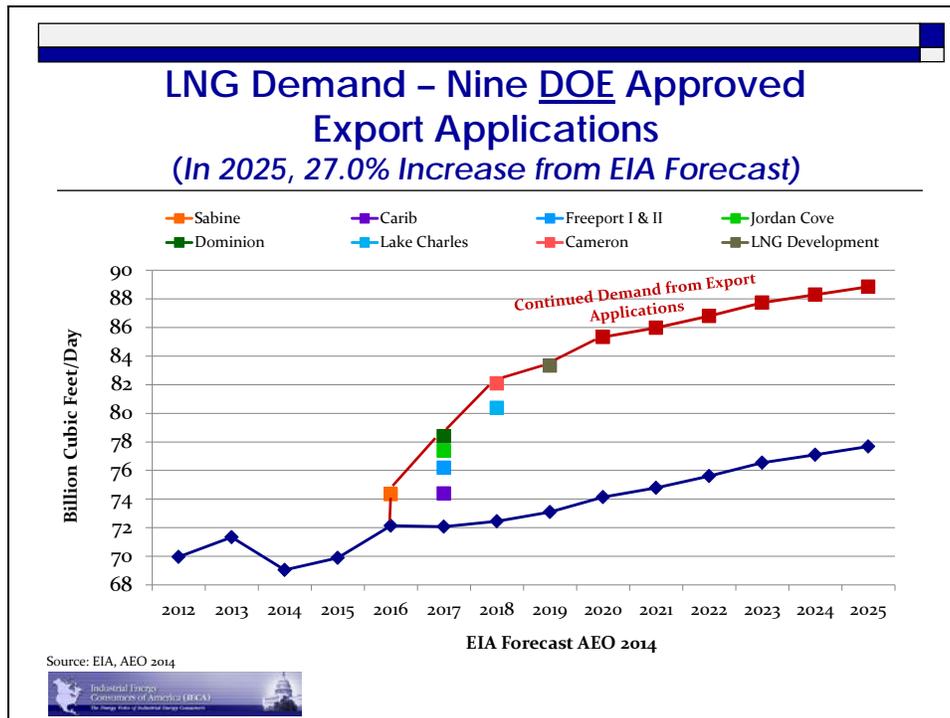
January 27, 2015

The Honorable John Barrasso
U.S. Senate
307 Dirksen Senate Office Building
Washington, DC 20510

Re: IECA Opposes S. 33, the "LNG Permitting Certainty and Transparency Act"

Dear Senator Barrasso:

On behalf of the Industrial Energy Consumers of America (IECA), we oppose passage of S. 33, the "LNG Permitting Certainty and Transparency Act." The U.S. Department of Energy (DOE) has already either approved or conditionally approved LNG exports to non-free trade countries equal to the largest LNG exporter in the world, Qatar. This is troublesome because unlike the U.S., Qatar does not have a significant manufacturing sector which is price sensitive. The DOE has also approved 40 LNG export applications to free trade countries equal to 40.2 bcf/day. Using Energy Information Administration (EIA) 2014 demand data, this means that the DOE has already approved shipments which could increase demand by 54.7 percent. The point is, a significant amount of LNG export applications have already been approved. Exporting large amounts of LNG puts millions of jobs in the U.S. manufacturing sector at risk long-term and will increase natural gas and electric prices for all consumers.



In their wisdom, when Congress passed the Natural Gas Act (NGA), they did so with two primary things in mind, the cost impact of LNG exports to the U.S. economy and consumers, and its implication to trade. Congress understood that, unlike so many other products, natural gas is different because consumers do not have a substitute. Congress felt a responsibility to act in their behalf to protect the unknowing consumer who did not have the ability to understand the long-term implications of LNG exports. For this reason, the NGA includes a requirement that a public interest determination is completed for each application to export to non-free trade countries. The process designed to protect the consumer should not be short-circuited by a 45-day deadline as proposed in S. 33. And, approving LNG export applications to non-free trade countries undermines free-trade negotiations and a potential level playing field for manufacturing companies.

We also believe that natural gas should be used to maximize permanent U.S. job creation, such as in manufacturing and power generation. A Charles River Associates study from February 2013 illustrates that using natural gas in manufacturing creates eight times more permanent jobs than exporting LNG.¹ LNG exports do not create many permanent jobs as noted below, and every study concludes that LNG exports increase domestic natural gas and electricity prices.

Export Facility	Permanent Jobs
Sabine Pass Liquefaction	580
Freeport LNG Expansion and FLNG Liquefaction	300
Lake Charles Exports	250
Dominion Cove Point	175
Jordan Cove Energy	150
Cameron LNG	140
Gulf Coast LNG Export	250

Approval of LNG export applications are for up to 30 years, and a lot can happen that cannot be anticipated today. The significant drop in crude oil prices is a perfect illustration as to why the U.S. needs to be very careful and not overcommit on LNG exports. Australia overcommitted on its LNG exports, and today prices have tripled for Australian consumers. Absolutely no one forecasted the significant drop in crude oil prices that will result in lower drilling investment, possible company bankruptcies, bond defaults, and potential reduced production. Rightfully so, banks are wary of financing new drilling investments.

There is also a myth that the U.S. has a 100-year supply of natural gas at prices that would be considered affordable by the public. Factually, the EIA AEO 2014 shows that at 2025 demand, the U.S. has only 9.6 years of proven reserves and only 49 years of technically recoverable resources in the lower 48 states. "Technically" recoverable does not mean that they are "economically" recoverable.

S. 33 imposes a 45-day decision deadline that can impact 72 million natural gas consumers² and 145 million users of electricity, and the price they will pay for heating and cooling in the future.

¹ US Manufacturing and LNG Exports: Economic Contributions to the US Economy and Impacts on US Natural Gas Prices. February 25, 2013.

² "Number of Natural Gas Consumers," Energy Information Administration, http://www.eia.gov/dnav/ng/ng_cons_num_a_EPG0_VN3_Count_a.htm.

We owe it to the economy and consumers to not fast track a process that should be deliberate, and we need to take the time to ensure that correct decisions are being made long-term.

Sincerely,

Paul N. Cicio
President

cc: Senate Committee on Energy and Natural Resources

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.0 trillion in annual sales, over 2,900 facilities nationwide, and with more than 1.4 million employees worldwide. 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: chemical, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, brewing, independent oil refining, and cement.