

**Senate Committee on Energy and Natural
Resources**

**Hearing on
S. 33, “LNG Permitting Certainty and
Transparency Act”**

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**Verbal Testimony of
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Chairman Murkowski, Ranking Member Cantwell, and Members of the Committee, thank you for the opportunity to testify before you today. My name is Paul Cicio and I am the President of the Industrial Energy Consumers of America.

IECA is not opposed to LNG exports. However, today, there is no energy public policy decision more important than whether or not to approve an LNG export facility for 20 to 30 years. The reason is that all risks associated with the export of LNG fall on the consumer. The larger the LNG export volume, the larger the cumulative risk.

Australia has over a 200-year of supply of natural gas, which is more than twice that of the U.S., yet today because of unfettered LNG exports, domestic prices have tripled because the Australian government failed to protect the consumer. Manufacturers are shutting their doors, and power plants are converting from gas to coal. We do not want to see that happen here, and it can long-term, if policymakers do not fully implement the letter and spirit of the Natural Gas Act.

The NERA report illustrates that LNG exports create winners and losers. It explains how higher natural gas prices can be expected to have negative effects on output and employment, particularly in sectors that make intensive use of natural gas. That's us.

Figure 12, of our written testimony, is directly from the NERA report and shows how exports result in loss of labor income (wages), capital income, and indirect taxes, these combined will accelerate wage disparity. And, the net economic gain, at its peak, is a meager \$20 billion in 2020 and declines from there. The bottom line is that the bulk of the population is negatively impacted, to the benefit of a few, raising questions of how it can be in the public interest. Despite this, the NERA report was used to justify several export applications.

In their wisdom, when Congress passed the Natural Gas Act, they did so with two things in mind, the cost impact of LNG exports and its implication to trade. Congress understood that, unlike so many other tradable products, natural gas is different because consumers do not have a substitute and it is not renewable. 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 Natural Gas Act includes a requirement that a "public interest determination" is completed for each application to export to non-free trade countries.

However, the Government Accountability Office's September 2014 report finds that the DOE has not defined "public interest." This is a glaring omission, if not a legal issue. If the DOE has not defined "public interest," how is it that they can make informed decisions on behalf of the over 72 million consumers of natural gas and 145 million consumers of electricity? Without a definition of public interest, how much public hardship has to be inflicted before the DOE denies the next application?

The definition of the public interest is not a macroeconomic number, like the so-called "net economic benefit" number from the NERA report. The real definition of public interest, pioneered by Justice Brandeis, asserts that, quote, "the public interest is that which produces the most good for the most people." Unquote.

Finally, the Natural Gas Act provides for ongoing monitoring and adjustment to an LNG application. The Natural Gas Act specifically anticipates that adjustments to LNG exports would be in the public interest when it states that DOE, quote "may from time to time, after opportunity for hearing, and for good cause shown, make such supplemental order in the premises as it may find necessary or appropriate." Unquote.

The Natural Gas Act creates an obligation for the DOE to monitor and do an economic impact assessment at regular intervals to be sure that exports do not harm the economy and jobs.

However, contrary to the Natural Gas Act, the DOE has stated that it does not plan to monitor impacts or make any such adjustments. To not do so implies that U.S. policy is designed to protect the capital investment of LNG exporters, but not U.S. manufacturing capital assets.

In closing, we urge support by this Committee to conduct oversight and require the DOE to conduct a rulemaking to define the public interest, create up-to-date decision making guidance, to condition applications for monitoring, conduct economic assessments at regular intervals, and be prepared to protect the public.

We urge the DOE to refrain from further approvals until such time that it completes the necessary rulemaking.

Thank you.