



Industrial Energy Consumers of America

The Voice of the Industrial Energy Consumers

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February 7, 2019

The Honorable Steve Chabot
U.S. House of Representatives
2408 Rayburn House Office Building
Washington, DC 20515

Re: H.R. 948, the "No Oil Producing and Exporting Cartels Act of 2019"

Dear Congressman Chabot:

On behalf of the Industrial Energy Consumers of America (IECA), we are supportive of H.R. 948, the "No Oil Producing and Exporting Cartels Act of 2019." As large consumers of natural gas, it is important to us that the legislation makes it illegal for any foreign state or agents of a state from acting collectively whether by cartel or through the use of other government backed agents, to set or influence the price of liquified natural gas (LNG). For LNG, there can be market manipulation by controlling production and/or the purchase of LNG. Multinational LNG producing companies, and LNG producing countries, have linked the price of crude oil to the LNG price to keep the LNG price high. Your legislation addresses this problem as well.

The global LNG market is not a "free-market." The primary buyers are state-owned enterprises (SOEs) and regulated gas and electric utilities of countries that are not price sensitive with automatic cost pass through. With few exceptions, both production and consumption of natural gas is largely controlled by government-controlled agents.

For LNG, we find that Asian SOEs and government-backed electric utilities are cooperating through memorandum of understandings (MOUs) on the purchase of LNG. And, through the years, LNG exporting countries have consistently met to discuss the potential to form a cartel and/or discuss market cooperation.

Thank you for your leadership on this important issue. Please let us know how we can be helpful in moving this legislation.

Sincerely,

Paul N. Cicio
President

cc: House Committee on the Judiciary

The Industrial Energy Consumers of America (IECA) is a nonpartisan association of leading manufacturing companies with \$1.0 trillion in annual sales and with more than 1.7 million employees. IECA membership represents a diverse set of industries who are substantial consumers of natural gas and electricity. Energy-intensive industries consume upward to 80 percent of all energy of the manufacturing sector. Relatively small changes to the price of energy can have relatively large impacts to competitiveness.