

SUMMARY OF TESTIMONY OF PAUL N. CICIO, PRESIDENT, INDUSTRIAL ENERGY CONSUMERS OF AMERICA

The Trans-Pacific Partnership Agreement (TPP) would pave the way for all DOE approved LNG export applications to ship to TPP countries, and would result in substantial LNG export volumes to Asia. Excessive LNG exports are not in the public interest and will significantly damage U.S. manufacturing, which competes with Asian competitors.

A DOE report “The Macroeconomic Impact of Increasing U.S. LNG Exports,”¹ states that “in every case, greater LNG exports raise domestic prices and lower prices internationally.

The report says that LNG exports increasing from 12 to 20 Bcf/d during 2026 and 2040, reduces prices in the Asian-Pacific market by 73 cents per million Btu, while increasing U.S. prices by 15 cents per million Btu – a combined net negative impact to competitiveness of 88 cents, or a 40 % increase, as compared to current prices. These costs do not include the impact of increasing LNG exports from 0 to 12 Bcf/d.

Natural gas is not a renewable resource and LNG exports significantly accelerate the consumption of U.S. low-cost natural gas.

The DOE has approved 14 Bcf/d for exports to countries without a free trade agreement. Looking at figure B7 of the DOE report entitled, “Shale Breakeven Curves for North America by Country,” cumulative demand of 14 Bcf/d of LNG exports, plus domestic demand in 2040 would consume 799.15 Tcf of gas. Demand at this level would consume all low-cost natural gas under \$9.00 per mcf. Today’s Henry Hub price is safely under \$3.00 mcf. The point is very clear that the TPP would have a significant increase to domestic natural gas prices.

A DOE/NERA report, “The Macroeconomic Impacts of LNG Export from the United States,”² describes how “households with income solely from wages or transfers, in particular, will not participate in these benefits.” It goes on to explain how “[h]igher natural gas prices ... can also be expected to have negative effects on output and employment, particularly in sectors that make intensive use of natural gas.”

Even more startling is the meager so-called “net economic gain” under any of the scenarios. NERA projects only a net \$10 billion net economic gain in 2015 and a \$20 billion net gain in 2020, but this declines going forward. Given the size of the \$16.7 trillion U.S. economy, a \$20 billion gain is less than one hour of GDP work, an insignificant economic gain. The most recent DOE study forecasts an even smaller economic gain of between \$7-20 billion annually from 2026 to 2040.

A study by Charles River Associates³ illustrates that consuming natural gas in the manufacturing sector increases GDP by two times and increases eight times more jobs versus exporting natural gas.

¹ “The Macroeconomic Impact of Increasing U.S. LNG Exports,” U.S. Department of Energy, October 29, 2015, http://energy.gov/sites/prod/files/2015/12/f27/20151113_macro_impact_of_lng_exports_0.pdf.

² “Macroeconomic Impacts of LNG Export from the United States,” NERA Economic Consulting, December 3, 2012, <http://energy.gov/sites/prod/files/2013/04/f0/nera-lng-report.pdf>.

³ “US Manufacturing and LNG Exports,” Charles River Associates, February 25, 2013, http://www.crai.com/sites/default/files/publications/CRA_LNG_Study.pdf.