Industrial Energy Consumers of America (IECA)
The Energy Voice of Industrial Energy Consumers

PRESS RELEASE

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SIXTEEN SENATORS CONCLUDE THAT LARGE VOLUMES OF LNG EXPORTS ARE “NOT” CONSISTENT WITH THE PUBLIC INTEREST

The Industrial Energy Consumers of America (IECA) genuinely thanks the sixteen U.S. Senators who championed a letter to the Department of Energy (DOE) Secretary Ernest Moniz urging him to consider the impact of large-scale LNG exports on American consumers and businesses. Referring to the DOE sponsored NERA Economic Consulting study, the Senators state that, “we are concerned with the conclusions you draw from these analyses, which we believe demonstrate that large volumes of LNG exports are not consistent with the public interest.”

“We agree with their conclusion,” said Paul N. Cicio, President of IECA. “The larger the LNG export volume, the larger the cumulative risk to consumers. And, consumers do not have a substitute. ” (View Cicio’s verbal and written testimony on S. 33, the “LNG Permitting Certainty and Transparency Act.”)

Approval of LNG export terminals are for periods of 20 to 30 years and a lot can happen that cannot be anticipated today. For example, who anticipated the sharp fall in crude oil prices that are now causing companies to slash exploration and production budgets for 2015? Did the advocates for LNG exports anticipate the crude oil price collapse? Not at all. If lower crude oil prices persist, production of both oil and gas could be impaired.

“The risks of exporting too much LNG can be seen today in Australia,” said Paul N. Cicio, President of IECA. “We desire to avoid what happened in Australia and urge the Secretary to fully implement, both the intent and spirt of the Natural Gas Act (NGA). The NGA has safeguards that the DOE is refusing to put them in place. Australia did not put safeguards in place.”

A February 17, 2015 news story from The Sydney Morning Herald entitled, “Australia’s LNG market a ‘slow train crash’ says Credit Suisse analyst[1]” should give U.S. policymakers pause. Below are the key paragraphs that state, in short, that there is a significant shortfall of natural gas for export, an equivalent to 12 times the annual consumption of gas across Australia, excluding Western Australia and the Northern Territory.

> “Australia's emerging gas market is like a "slow train crash" because of a huge shortfall in gas needed to fulfill contracts over the next 20 years according to an analysis that has infuriated an industry that spent $75 billion building LNG plants over the past decade.

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[1] “Australia's LNG market a 'slow train crash' says Credit Suisse analyst,” by Angela Macdonald-Smith, Sydney Morning Herald, February 17, 2015, http://www.smh.com.au/business/australias-lng-market-a-slow-train-crash-says-credit-suisse-analyst-20150217-13gnh8.html.

Credit Suisse energy analysts calculate that the three Queensland LNG projects are short of as much as 8800 petajoules of gas reserves to meet their 20-year LNG sales contracts, an amount equivalent to 12 times the annual consumption of gas across Australia excluding Western Australia and the Northern Territory.

The reality is that over the 20-year contracts that have been signed for these projects, you are broadly taking 40 years worth of domestic east coast supply and sending it offshore."

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.