

# **“The Department of Energy’s Strategy for Exporting Liquefied Natural Gas”**

Before the House Committee on Oversight and  
Government Reform, Subcommittee on Energy  
Policy, Health Care and Entitlements

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Five Minute Testimony

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Thank you Chairman Lankford and Ranking Member Speier for the opportunity to testify before you and other Subcommittee Members. My name is Paul Cicio and I am the President of the Industrial Energy Consumers of America (IECA).

IECA is a nonpartisan association of manufacturing companies with \$1.1 trillion in annual sales, over 1,000 facilities nationwide, and with more than 1.4 million employees worldwide.

IECA membership represents a diverse set of energy intensive trade exposed industries including: chemical, plastics, steel, aluminum, paper, food processing, nitrogen fertilizer, insulation, glass, industrial gases and cement.

For these industries, the cost of energy can be from 10 to 85 percent of the cost of making their products. Our competitiveness is dependent upon the price of energy relative to our offshore competitors.

The U.S. manufacturing sector is the largest consumer of natural gas, as a fuel and feedstock, and natural gas-fired electricity, consuming approximately 40 percent of all U.S. natural gas. We also consume approximately 30 percent of all electricity.

It is important to note that IECA is not opposing LNG exports, although we remain very concerned that exports could negatively impact manufacturing competitiveness and jobs. It is for this reason that we urge the DOE to do a better job than what we have seen so far.

Even though both DOE sponsored studies used understated domestic demand assumptions, the outcome of the studies should give public policymakers pause because they confirm one thing – that any level of exports will increase domestic prices for “all” consumers.

Natural gas prices have a direct and indirect impact on peoples’ lives, their safety (such as heating, cooling and electricity), economic growth, investment, exports of manufactured products, and jobs. Energy-intensive manufacturing industries are especially impacted.

Specifically, on page 7 of the flawed NERA study confirmed that, “Expansion of LNG exports has two major effects on income: it raises energy costs and, in the prices, depresses both real wages and the return on capital in all other industries” (unquote) with only trivial net benefit to the economy.

My comments today will focus on two issues:

First, we urge the DOE to implement a rulemaking process to determine public interest determination criteria that will be used on an application by application basis.

Secondly, we also urge the DOE to complete the necessary studies to clarify the implications of LNG exports to consumers, the economy and the manufacturing sector using up-to-date domestic demand assumptions. DOE must include scenarios that consider pending legislative or regulatory actions that could impact natural gas production or spur domestic demand. Special attention is needed to address the impacts to energy intensive trade exposed industries.

The U.S. is at an important crossroad on the subject of LNG exports. If we do this right, the U.S. can export LNG and provide an adequate supply of natural gas at affordable prices to domestic consumers. If we get it wrong, the LNG exports could slow if not stop the manufacturing renaissance and every U.S. consumers' price of natural gas and electricity will rise. Much is at stake.

Today, DOE is considering 24 applications to export LNG. In the modern era, the U.S. government has not faced the need to determine the public interest in connection with requests to authorize exports of large volumes of natural gas.

The DOE has extensive experience evaluating import applications, but it has had limited experience with export applications. Perhaps not surprisingly, there are no clearly established criteria for DOE to apply in determining the public interest with regard to natural gas exporting.

IECA supports an approach to such determinations by DOE that are based on objective criteria and metrics, established through a rule making public process and applied on an incremental, case-by-case basis in a consistent and balanced manner. We urge Congress to embrace this process.

This is desperately needed because no economic study can account for the full profile of U.S. values that should inform a determination of the public interest with regard to natural gas exports.

Thank you.