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April 6, 2022

The Honorable Joe Manchin
Chairman
Committee on Energy and Natural Resources
U.S. Senate
304 Dirksen Senate Building
Washington, DC 20510

Re: LNG Consumer Safety Valve Legislation

Dear Chairman Manchin:

As you pursue your legislative agenda to increase domestic production of energy, reduce inflation, increase employment, and address the Build Back Better provisions to increase decarbonization, we urge you to include the attached provision which would establish an LNG Consumer Safety Valve to protect consumers from the market-power of foreign country purchases of LNG. The U.S. should not surrender the advantage that our natural gas resources provide the economy. Consumers desire certainty that their government put their natural gas needs first, not second to LNG exports. We cannot let what happened to Australian consumers happen here (see Figure 1).

IECA supports shipping U.S. LNG to our allies. However, in 2021, shipments to China were only slightly second to S. Korea, the number one destination, and more than twice that of any EU country. China also recently locked up large long-term LNG contracts for U.S. natural gas. Secondly, national security starts at home, by first securing natural gas for industries that supply materials for national defense. One hundred percent of IECA's member companies are from the manufacturing sector.

The U.S. is stepping into a new era of much higher LNG export volumes. Volumes already approved that are either operating, under construction, or approved and not under construction are estimated to be at 43 billion cubic feet/day (Bcf/d), a volume equal to nearly 40 percent of U.S. 2021 production. More applications are in the pre-filing stage. In 2021, U.S. LNG exports increased 50 percent over 2020.¹

¹ "U.S. exported record amounts of liquefied natural gas in 2021," U.S. Energy Information Administration, <https://www.eia.gov/todayinenergy/detail.php?id=51818>

This new era calls for a thoughtful and balanced policy that will allow for increased exports, but not at the expense of reliability and domestic natural gas prices that become attached to the global LNG market, a non-free market. The U.S. market, a free-market, and its independent pricing must be insulated from the global market.

With only 12.4 Bcf/d of nameplate LNG capacity operating, U.S. prices have already been impacted. U.S. natural gas Henry Hub futures for April 4 was at \$5.89 per MMBtu, more than double the price a year ago, adding to inflation.² In 2022, prices have increased 43 percent and have resulted in a substantial increase in electricity prices. Price volatility has soared. The amount of natural gas in storage in the lower 48 is 17 percent below the five-year average for this time of year despite significant increases in production.³

There are those in Congress that would unleash unlimited LNG exports. We must not let that happen. What good is it to have an abundant supply of natural gas resources unless it is used as an advantage to all Americans? Below are two of several major reasons to support the consumer protection provision.

First, the global LNG market is not a free-market. The buyers or consumers of U.S. LNG are foreign government regulated electricity and natural gas utilities, or state-owned enterprises (SOEs) with automatic cost pass throughs. They can literally buy away natural gas from the domestic consumer, even in the middle of the winter when our demand is highest. In short, they have market-power over U.S. consumers.

Second, reliability and price impacts are a concern because the U.S. Department of Energy (DOE) extended LNG export approvals to 2050. This shifts all of the supply and price risk from the exporters and foreign country buyers to domestic consumers. It guarantees that the exporters and foreign country buyers have access to our natural gas, while domestic consumers do not have an alternative and are captive consumers.

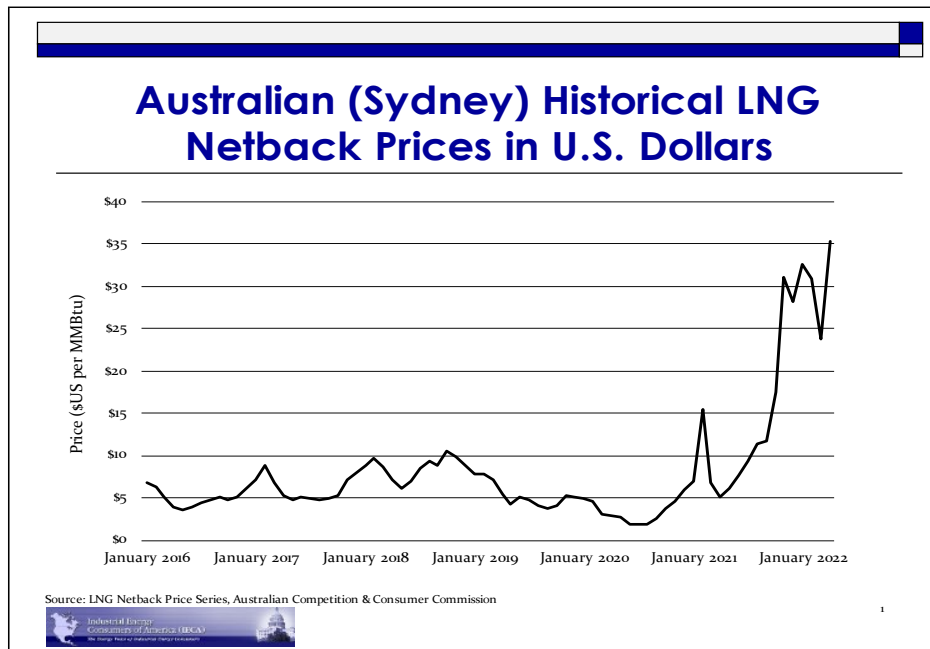
Figure 1 illustrates what happened in Australia, a country rich in resources and substantial LNG export volumes. Australian consumers are paying the Asian LNG net-back price. Their domestic prices are directly connected to the Asian LNG pricing. As a result of excessive LNG exports, Australian consumers are not benefiting from their country's vast resources.⁴

² "The LNG Export Boom Is Draining U.S. Natural-Gas Supplies and Lifting Prices," The Wall Street Journal, <https://www.wsj.com/articles/the-lng-export-boom-is-draining-u-s-natural-gas-supplies-and-lifting-prices-11648648528>

³ Natural Gas, U.S. Energy Information Administration, www.eia.gov

⁴ Australia Competition and Consumers Commission, gigajoules and Australian dollars have been converted into MMBtus and U.S. dollars.

FIGURE 1



LNG CONSUMER SAFETY VALVE LEGISLATIVE LANGUAGE: EXPLANATION OF THE BILL

Under existing law, Section 3 of the Natural Gas Act (NGA) requires DOE approval for natural gas exports.

- *Subsection (a) says that DOE shall approve the export unless the export is found to be inconsistent with the public interest.*
 - *Subsection (c) automatically deems exports to any country with which the U.S. has a free trade agreement (FTA) to be in the public interest.*
- 1) *Amend section 3 subsection (a) of the NGA to require the DOE to approve the export if the export is found to be consistent with the public interest.*
 - 2) *Amend section 3 subsection (c) to eliminate the automatic public interest determination for exports to FTA countries.*
 - 3) *Prohibit DOE from approving the export if approving the export would materially impact the price of natural gas in the United States.*
 - 4) *Require DOE to periodically review all current approved exports and certify that the exports do not individually or collectively materially impact the price of natural gas in the United States.*

Exports to Canada and Mexico with end uses in those countries would still be automatically deemed to be in the public interest and approval of exports to those countries would not be contingent on study of their effects on domestic prices.

LEGISLATIVE LANGUAGE

To amend the Natural Gas Act to eliminate the presumption that the exportation of natural gas to certain nations is in the public interest, and for other purposes. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “_____ Act of 2022”.

SEC. 2. EXPORTATION OF NATURAL GAS.

Section 3 of the Natural Gas Act (15 U.S.C. 717b) is amended—

(1) in subsection (a), in the second sentence—

(A) by striking “unless” and inserting “if”; and

(B) by striking “will not” and inserting “will”; and

(2) in subsection (c)—

(A) by striking “a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas” and inserting “Canada or Mexico for end-use consumption in Canada or Mexico, respectively”;

(B) by striking “(c) For purposes” and inserting the following:

“(c) REQUIREMENTS.—

“(1) IN GENERAL.—For purposes”; and

(C) by adding at the end the following:

“(2) NATURAL GAS PRICE DETERMINATION.—

“(A) IN GENERAL.—The Commission shall not issue an order under subsection (a) authorizing the exportation of natural gas to any nation (other than exports to Canada or Mexico for end-use consumption in Canada or Mexico, respectively) unless the Commission makes a determination that the exportation will not materially impact the price of natural gas in the United States.

“(B) PERIODIC REVIEW.—The Commission shall—

“(i) periodically review all orders issued under subsection (a) authorizing the exportation of natural gas that are in effect as of the date of the review; and

“(ii) certify that the orders do not individually or collectively materially impact the price of natural gas in the United States.”

Consumers from across the country are counting on you to ensure that they will not be impacted by excessive LNG exports and their market power. Please let us know how we may assist you in moving forward.

Sincerely,

Paul N. Cicio

Paul N. Cicio

President and CEO

cc: Senate Committee on Energy and Natural Resources
U.S. Senate
FERC Chairman and Commissioners
The Honorable Jennifer Granholm
The Honorable Katherine Tai

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.1 trillion in annual sales, over 11,700 facilities nationwide, and with more than 1.8 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: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, independent oil refining, and cement.