Industrial Energy Consumers of America

The Voice of the Industrial Energy Consumers

1776 K Street, NW, Suite 720 • Washington, D.C. 20006
Telephone (202) 223-1420 • www.ieca-us.org

April 8, 2014

To: House Subcommittee on Energy and Power

RE: IECA Urges You to Vote "NO" on H.R. 6, the "Domestic Prosperity and Global Freedom Act"

Through decades of history, EIA data has illustrated that when natural gas prices rise, manufacturing jobs decline. H.R. 6 will significantly increase LNG exports on top of the 15.3 percent increase already approved by the U.S. Department of Energy (DOE). OPEC-linked LNG prices will increase both natural gas and electricity prices, imposing an OPEC cartel energy tax on U.S. consumers. Even before the first shipment of LNG has been made, EIA AEO 2014 forecasts industrial prices to rise to $6.63 per million Btu, a 76 percent increase by 2019 versus 2012. <u>Members of the Subcommittee on Energy and Power have a total of 6,399,139 manufacturing jobs in their states versus only 407,823 oil and gas jobs. We urge you to not risk the loss of manufacturing jobs.</u>

H.R. 6 undermines ongoing free trade agreement negotiations that would benefit the entire country and would also prevent the DOE from mitigating or even reviewing the impacts of unlimited LNG exports on domestic prices, consumers, electricity markets, manufacturers or the economy.

A 2013 study by Charles Rivers Associates compared the economic contributions of exporting 5 bcf/day of LNG versus using the same amount of natural gas in manufacturing.[1] The comparison makes clear that using natural gas in manufacturing creates superior benefits to the U.S. economy.

	DIRECT VALUE ADDED	TOTAL ON-GOING EMPLOYMENT	DIRECT CONSTRUCTION EMPLOYMENT
Manufacturing	$4.9B	180,000 jobs	104,000 person years
LNG Exports	$2.3B	22,000 jobs	23,000 person years

FIVE REASONS WHY CONGRESS SHOULD OPPOSE H.R. 6

1. **H.R. 6 puts manufacturing jobs in your state at risk. Each of the members of the Subcommittee on Energy and Power has far more manufacturing jobs than oil and gas jobs in their respective states. The legislation creates winners and losers, and pits gas producing states against states that do not produce.**

[1] Testimony of Kenneth Ditzel, Before the Subcommittee on Energy and Power, March 25, 2014.

EMPLOYMENT BY STATE, 2012

STATE	MANUFACTURING JOBS	OIL & GAS JOBS*
California	1,245,774	22,661
Colorado	131,989	24,043
Florida	316,763	532
Georgia	351,857	113
Illinois	582,427	2,592
Kansas	162,678	8,700
Kentucky	222,962	1,520
Louisiana	141,769	50,695
Michigan	535,815	2,524
Nebraska	94,990	264
New York	243,960	1,106
Ohio	656,325	5,391
Pennsylvania	566,887	20,943
Texas	863,568	259,333
Virgin Islands	1,265	0
Virginia	231,073	1,076
West Virginia	49,037	6,330
TOTAL	**6,399,139**	**407,823**

Source: Bureau of Labor Statistics
*(*Includes: Oil and gas extraction, drilling oil and gas wells, and support activities for oil and gas operations.)*

2. Industrial natural gas prices are already escalating even before the first LNG shipment.

ANNUAL ENERGY OUTLOOK 2014 EARLY RELEASE, INDUSTRIAL PRICES (MM, BTU)

2012	2013	2014	2015	2016	2017	2018	2019	2012-2019
3.77	4.66	4.96	5.18	5.49	5.87	6.42	6.63	76% Increase

3. LNG is not a "free" market. Congress should not impose the OPEC-linked LNG energy tax on U.S. consumers.

IECA believes Congress should take a measured approach to LNG exports and protect the American consumer from unfair OPEC cartel LNG price influences.[2] Unlike the U.S. natural gas market, LNG is not a "free market." OPEC links the price of LNG to crude oil which arbitrarily keeps the price higher than it would be otherwise. Doing so distorts prices and markets, and once the U.S. starts exporting, it will drive up the price of domestic natural gas permanently. This is nothing short of an OPEC energy tax that every U.S. consumer will pay. This is what has already happened in Australia, and manufacturers and power generators are being asked to pay the LNG export price and families are going without food and medicine to pay their energy bills.[3]

[2] World LNG Report 2013 Edition, International Gas Union, http://www.igu.org/gas-knowhow/publications/igu-publications/IGU_world_LNG_report_2013.pdf/view
[3] "Gas exports, price boom threaten 100,000 Australian jobs: manufacturers" by Greg Hoy, abc.net.au, March 27, 2014, http://www.abc.net.au/news/2014-03-27/gas-boom-threatens-australian-manufacturing-jobs/5349822 and "Families going without food and medicine to pay the bills" by Rachel

4. The DOE has already approved shipments equal to Qatar's exports, the largest LNG supplier in the world.

The DOE's approval of seven LNG export applications increases demand by 10.9 Bcf/day or 15.3 percent of 2013 demand, a huge increase of demand on top of substantial domestic demand growth. What DOE has already approved puts the U.S. at the top of the LNG export business, equivalent to Qatar, the current largest exporter of LNG.

However, Qatar has a very small industrial demand that is equal to only 3 percent of their export volume. The U.S. on the other hand has an industrial base that is the largest industrial consumer of natural gas in the world! In 2013, U.S. industrial natural gas consumption was 7.5 Tcf. If we take into account the seven non-free trade LNG export applications that have already been approved, industrial demand is equal to 53% of that export volume. It is for this reason that LNG exports put the U.S. industrial sector at risk. Exports from Qatar do not threaten its manufacturing base, but U.S. LNG exports do.

5. H.R. 6 undermines negotiations for free trade agreements currently now underway.

The Trans-Pacific Partnership and the Transatlantic Trade negotiations are far along and can result in a level playing field for manufacturing and farm products. H.R. 6 would approve all of the LNG export applications and undermine the free trade agreement negotiations.

We urge you to vote "no" on H.R. 6.

Sincerely,

Paul N. Cicio
President

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales, over 1,500 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.

Wells, The Age, March 26, 2013, http://www.smh.com.au/national/families-going-without-food-and-medicine-to-pay-the-bills-20130325-2gq2e.html[3]