Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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April 28, 2014

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
U.S. House of Representative
Washington, DC 20515

The Honorable Henry Waxman
Ranking Member
Committee on Energy and Commerce
U.S. House of Representative
Washington, DC 20515

RE: H.R. 6, the "Domestic Prosperity and Global Freedom Act"

Dear Chairman Upton and Ranking Member Waxman:

On behalf of the Industrial Energy Consumers of America (IECA), we strongly oppose H.R. 6, the "Domestic Prosperity and Global Freedom Act." H.R. 6 would have devastating impacts to the competitiveness of the manufacturing sector, investment, and jobs long-term, which is what has happened in Australia. The bill would accelerate exports of natural gas, driven by OPEC cartel LNG indexed prices, and drive up the price of natural gas and natural gas-fired power generation and stop the manufacturing sector renaissance. Congress should NOT support OPEC cartel LNG pricing by allowing unfettered exports.[1] H.R. 6 is anti-consumer and imposes an OPEC tax on every U.S. consumer. Lastly, it undermines critically important free trade negotiations, which would create substantially more U.S. jobs than exporting LNG.

This legislation forces the question – How many manufacturing jobs are we willing to sacrifice by supporting unfettered LNG exports?

Years ago, Congress wisely put in place a process to review applications to export LNG under the Natural Gas Act. If the export application requests shipments to countries that do not have a free trade agreement, the U.S. Department of Energy (DOE) must do a "public interest determination." The public interest determination examines whether there is a negative or positive impact on the economy, domestic consumers, manufacturers, jobs, and investment. This statute is sound public policy. H.R. 6 removes these safeguards.

[1] World LNG Report 2013 Edition, International Gas Union, http://www.igu.org/gas-knowhow/publications/igu-publications/IGU_world_LNG_report_2013.pdf/view

H.R. 6 is not a solution to NATO or Ukraine.
On April 14, 2014, E&E Daily reported that "Cheniere Energy Inc's chief executive cautions that the company's future natural gas exports won't be able to free the European bloc of countries from its energy reliance on Russia, despite assertions otherwise."[2]

Exporting U.S. natural gas to help our Ukrainian and NATO allies is not a viable option for years to come. There are no export facilities that are ready to ship. According to the U.S. Energy Information Administration (EIA), Ukraine has 39 trillion cubic feet (Tcf) of proved natural gas reserves, and at a 2012 consumption rate of 1.8 Tcf, they have a 21-year supply. This compares favorably to U.S. proven reserves of 318 Tcf, or a 12-year supply at the 2013 consumption rate of 26 Tcf. The problem is that Ukraine only produces 1 Tcf of gas.

Congress should take a measured approach to LNG exports to ensure that there is affordable natural gas and electricity for domestic consumers.
The priority of Congress and the Administration should be on maximizing economic growth and there is no better way than by using domestic natural gas to grow high paying manufacturing jobs.

Using natural gas in manufacturing creates more jobs than LNG exports.
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.[3] 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

LNG exports have tripled natural gas prices in Australia.
Unfettered LNG exports will substantially increase natural gas costs and lead to a declining manufacturing sector. Australia is a perfect example. Prices have tripled and manufacturing facilities are shutting down. Domestic consumers are being asked to pay the LNG export price despite the fact that production is at an all-time high, and families have to choose between paying for food and medicine and paying their energy bills.[4]

[2] "Markets: Cheniere CEO reinforces limits to U.S. gas-drive clout," by E&E Daily, April 14, 2014.
[3] Testimony of Kenneth Ditzel, Before the Subcommittee on Energy and Power, March 25, 2014.
[4] "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

DOE has already approved volumes equal to the largest LNG exporter in the world.
The DOE approved export volumes are equal to a 15.3 percent increase in demand when compared to 2013. The approved export volume is equivalent to Qatar, the largest supplier of LNG. The major difference between the U.S. and Qatar is that they have an insignificant manufacturing sector. The U.S. on the other hand has the largest manufacturing sector in the world which is dependent upon natural gas. Excessive LNG exports put the manufacturing sector at risk.

H.R. 6 undermines TPP and TTIP free trade negotiations.
The Trans-Pacific Partnership would unite twelve Pacific Rim countries and the U.S. in a free trade agreement. According to the Peterson Institute, American exports would rise by $123.5 billion by 2025. The U.S. has a trade deficit with Japan of over $76 billion alone. They are also the largest LNG importer. The value of potential LNG shipments to Japan pale in comparison to the opportunity for shipments of other goods. And, the same holds true for the TransAtlantic Trade and Investment Partnership where $95 billion per year in increased trade is at stake.

Natural gas prices have already increased almost 20 percent in 2013 and EIA forecasts a 42 percent rise by 2019, and this is before all of the export terminals become operational. We urge you to not support H.R. 6.

Sincerely,

Paul N. Cicio
President

cc: The Honorable Ernest Moniz, U.S. Department of Energy
House Committee on Energy and Commerce

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