



Industrial Energy Consumers of America

The Voice of the Industrial Energy Consumers

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April 29, 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: Rebuttal to H.R. 6 – False Claims of Sending Market Signal in Support of NATO Allies

Dear Chairman Upton and Ranking Member Waxman:

Proponents of H.R. 6 have stated that the approval of all the proposed LNG export terminals would send a “market signal” to Russia and have the immediate effect of reducing natural gas prices for our NATO allies. This is simply not correct.

The combination of globally operational, under construction facilities (see Figure 1), and U.S. and Canadian approved liquefaction plants (see Figure 2) totaling 556.9 metric tons per annum (Mtpa), greatly exceed existing global demand of 237.7 Mtpa by 134 percent.¹ In other words, there already is excess capacity planned for LNG shipments and excess EU capacity to receive LNG that is not being utilized. The “market signal” already exists.

According to the U.S. Energy Information Administration (EIA), world LNG trade more than doubles from about 205.48 Mtpa in 2010 to around 410.96 Mtpa in 2040. There is more than enough future supply to send a market signal without approving more LNG export facilities.² The U.S. Congress should not be focused on lowering prices for NATO, but instead aid U.S. manufacturers in creating jobs within the U.S.

Approving all of the LNG export applications sends another signal, a bad signal to the U.S. manufacturing sector, and the prospects of continued reshoring of high paying manufacturing jobs that depend upon affordable natural gas. Unfettered LNG exports will increase natural gas and electricity prices. According to the EIA, industrial natural gas prices have increased almost 20 percent in 2013, and are forecasted to increase another 42 percent by 2019.

Figure 1 – Globally Operational and Under Construction Liquefaction Plants³

Description	Nameplate Capacity (Mtpa)
Operational Liquefaction Plants	280.90

¹ World LNG Report - 2013 Edition, International Gas Union

² International Energy Outlook 2013, EIA, http://www.eia.gov/forecasts/ieo/nat_gas.cfm

³ World LNG Report - 2013 Edition, International Gas Union

Description	Nameplate Capacity (Mtpa)
Liquefaction Plants Under Construction	100.37
TOTAL	381.27

The “World LNG Report – 2013 Edition,” by the International Gas Union, was commissioned in 2013. Since then, the U.S. and Canada have both had more approvals for construction of liquefaction plants.

Figure 2 – Additional Liquefaction Plant Approvals⁴

Approved for construction:	Capacity (Bcf/d)	Capacity (Mtpa)
<i>U.S.</i>		
-Lake Charles Exports	2.00	15.00
-Dominion Cove Point	1.00	7.50
-Freeport LNG	1.40	10.50
-Jordan Cove	1.20	9.00
-Cameron LNG	1.70	12.75
-Freeport LNG 2	1.40	10.50
<i>Subtotal</i>	<i>11.01</i>	<i>65.25</i>
<i>Canada</i>		
-BC LNG	0.23	1.73
-Kitimat LNG	1.28	9.60
-Woodfibre LNG	0.33	2.48
-LNG Canada Development	3.23	24.22
-Pacific NorthWest LNG	2.74	20.55
-WCC LNG	4.00	30.00
-Prince Rupert LNG	2.91	21.83
<i>Subtotal</i>	<i>14.72</i>	<i>110.41</i>
TOTAL	25.73	175.66

Figure 3 – LNG Trade Between Basins, 2012, MT⁵

Importing Region	Europe	Asia- Pacific	Middle East	North America	South America	Re-exports	Total
Exporting Regions							
Africa	8.7	12.9	0.6	0.8	0.6	0.0	23.7
Asia-Pacific	0.0	79.8	0.1	1.1	0.0	0.0	81.0
Europe	2.3	0.5	0.1	0.2	0.4	(2.8)	0.7
MENA	35.3	69.7	2.3	3.4	1.6	0.0	112.3
N. America	0.0	0.2	0.0	0.0	0.0	(0.4)	(0.2)
S. America	3.9	2.2	0.2	3.9	6.8	(0.3)	16.8

⁴ Summary of LNG Export Applications, DOE, <http://energy.gov/fe/downloads/summary-lng-export-applications>; and LNG Export Licence Application Schedule, National Energy Board - Canada, <http://www.neb-one.gc.ca/clf-nsi/rthnb/pplctnsbfrthnb/lngxprtlcncpplctns/lngxprtlcncpplctns-eng.html>

⁵ Waterborne LNG Reports, EIA, DOE, PFC Energy Global LNG Service

Importing Region	Europe	Asia- Pacific	Middle East	North America	South America	Re-exports	Total
Re-exports	0.9	1.2	0.0	0.0	1.3	0.0	3.5
Total	51.1	166.6	3.4	9.4	10.7	(3.5)	237.70

Supporters of H.R. 6 need to ask themselves how many manufacturing jobs we are willing to lose to support NATO. This is especially a relevant question given that U.S. LNG will not go to the EU, but to the higher priced Asian markets.

Sincerely,

Paul N. Cicio
President

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

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.