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

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Re: Docket Number: DOC 2017-0003; Comments Regarding Causes of Significant Trade Deficits for 2016, Request for opportunity to speak at the public hearing on May 18, 2017

Paul Cicio, president of the Industrial Energy Consumers of America (IECA), requests the opportunity to speak at the upcoming public hearing on May 18, 2017.

I. THE INDUSTRIAL ENERGY CONSUMERS OF AMERICA

IECA is a association of large natural gas and electricity consuming manufacturing companies with over $1.0 trillion in annual sales and with more than 1.6 million employees worldwide. Company members are from a diverse set of industries that includes chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, glass, industrial gases, pharmaceutical, building products, automotive, brewing, independent oil refining, and cement.

II. COMMENTS

a. Excessive LNG exports are a major threat to manufacturing product exports, global competitiveness, and jobs. The Obama Administration's DOE has already given approval to export LNG amounts equal to 96 percent of U.S. demand.

b. Excessive LNG exports are inconsistent with President Trump's agenda to increase U.S. manufacturing jobs and his "America First" pledge.

c. Approval of LNG exports to NFTA countries rewards them for not having a free trade agreement and undermines U.S. leverage to negotiate "fair trade" agreements. Over 56 percent of 2016 LNG shipments went to countries without a U.S. free trade agreement.

d. DOE LNG studies concluded that LNG exports increase domestic natural gas prices and lower natural gas prices to our foreign competitors, especially in Asia, thereby negatively impacting U.S. manufacturing competitiveness.

e. Already approved LNG export volumes, plus EIA forecasted domestic demand to 2050 (33 years), would consume upwards of 80 percent of U.S. technically recoverable natural gas resources.

f. The 100-year supply of natural gas is a myth. EIA data says there is only 53-years of supply.

g. LNG exports are not a job creator, they are a manufacturing job destroyer when natural gas prices rise.

h. Natural gas prices are already rising quickly. The EIA AEO 2017 is predicting Henry Hub prices will increase 51 percent by 2020 and 118 percent by 2025.[1]

i. LNG exports accelerate consumption of all of U.S. cheap shale natural gas. Natural gas is not renewable.

j. A failure to do an adequate public interest determination damages all U.S. consumers long-term.

III. IECA REQUEST TO THE TRUMP ADMINISTRATION

Given the importance of this issue to President Trump's "America First" agenda, and to increase U.S. manufacturing jobs, we offer the following important requests.

a. Establish a moratorium on further LNG export approvals until the definition of "public interest" is fully explored, vetted, and agreed upon.

b. DOE should implement its authority to establish a process of ongoing monitoring and adjustment to LNG export volumes. Establish a safety valve for U.S. consumers and condition all applications.

c. Establish a national LNG export policy that is consistent with the Trump Administration's fair-trade policy.

d. Recognize that LNG public policy needs special treatment due to its unique circumstances.

Excessive LNG exports pose a special risk to the U.S. economy and manufacturing.

- According to the most recent DOE LNG export study, high levels of exports could increase domestic natural gas prices to international natural gas price levels. If this occurs, domestic prices will be subject to the will of international demand by other countries. If domestic prices rise to global levels, the U.S. will have given up what only a few years ago was considered a sustainable competitive advantage for the manufacturing sector.

- Most buyers of LNG are sovereign entities of countries. LNG buyers are "not price sensitive" like U.S. homeowners and manufacturing consumers, they are "countries."

[1] EIA AEO 2017, https://www.eia.gov/outlooks/aeo/pdf/0383%282017%29.pdf

They are state-owned enterprises and fully regulated electric/gas utilities whereby all costs are either paid for directly by the government or automatically passed through to the consumer. And, some countries do not pass the full cost onto their consumers. Because of this, they can be indifferent or insensitive to price, and can and will pay whatever price is needed to supply LNG to keep their country operating. In future times of a tighter market supply, LNG buyers will "buy away" natural gas from U.S. consumers.

- Almost all major LNG consuming countries are located in the Northern Hemisphere, which means they have winter when we do. This means that peak LNG demand will occur during our winter heating season, spiking prices for U.S. consumers.

- U.S. industry and other consumers do not have an alternative to natural gas. For example, natural gas is a primary raw material for a chemical or fertilizer company and there is no alternative. As such, natural gas must be considered as a preferential resource that requires special consideration as compared to LNG exports.

With kind regards,

Paul N. Cicio
President