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

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May 13, 2019

The Honorable Christopher Murphy
U.S. Senate
136 Hart Senate Office Building
Washington, DC 20510

Re: S. 704, the "European Energy Security and Diversification Act of 2019"

Dear Senator Murphy:

On behalf of the Industrial Energy Consumers of America (IECA), we are opposed to subsidizing U.S. LNG exporters with $4 billion dollars of taxpayer money in order to support the building of LNG import facilities in Central and Eastern Europe, which would also be used to import LNG from Russia, Qatar, Nigeria, Algeria, Oman, UAE, Angola, and Norway, all of which have lower LNG transportation costs to the EU. Many U.S. LNG export terminals have already received substantial tax subsidies by states where they are located. IECA is a strong proponent of U.S. national security interests, but this is a waste of taxpayer dollars and will not achieve the desired results. It is in the self-interest of the European countries to invest their own capital to build LNG import facilities. Finally, every U.S. Department of Energy (DOE) LNG export study concludes that LNG exports increase U.S. natural gas and electricity prices long-term. Australia, the second largest LNG exporter, reports that in 2018 its domestic price increased 47 percent.[1]

The above LNG exporting countries are the same countries that are members of the Gas Exporting Countries Forum (GECF),[2] an organization with aspirations of becoming the OPEC for natural gas and LNG exports. They meet annually.

The U.S. Exportation of LNG Volumes Equal to 71 Percent of U.S. Demand is NOT in the Public Interest under the U.S. Natural Gas Act

On December 28, 2018, the DOE filed comments in the Federal Register which stated that they will approve LNG export volumes to non-free trade agreement (NFTA) countries equal to 52.8 Bcf/day, which is equivalent to 71 percent of U.S. demand. Central and Eastern European countries do NOT have free trade agreements with the U.S., nor the EU. These are countries that often discriminate against the importation of U.S. manufactured products and agricultural goods. The DOE approvals are for 20 to 30 years. Instead of setting a limit to LNG export volumes, the DOE will let the market determine demand. NFTA countries are the largest purchasers of LNG. No application to export LNG has ever been delayed or denied by the DOE.

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[1] Australian Competition & Consumer Commission; https://www.accc.gov.au/regulated-infrastructure/energy/gas-inquiry-2017-2020/lng-netback-price-series
[2] Gas Exporting Countries Forum (GECF) https://www.gecf.org/

U.S. Natural Gas Resources are Uncertain

Natural gas is a vital non-renewable energy resource from which we rely upon and do not have a substitute. With time, we will find more natural gas resources. That said, the below information illustrates that we do not have as much as the natural gas industry touts and are consuming and exporting it at an accelerating rate. And, as we have compared consumption to how much we are finding, we are consuming/exporting at a faster rate.

The U.S. has only 57 years of technically recoverable natural gas resources in the lower 48, according to U.S. Energy Information Administration (EIA) data. Resources that are technically recoverable does not mean that they are economically recoverable. The EIA's Annual Energy Outlook (AEO) for 2019 states that the U.S. total demand, which includes net exports from 2018 to 2050, is 1,277 Tcf. The EIA states that there is 2,215 Tcf of technically recoverable resources in the lower 48. The EIA report also states that 85 percent of U.S. natural gas resources in the lower 48 are unproven. Page 2 of the EIA's oil and gas assumptions reads that the "Estimates of TRR (technically recoverable resources) are highly uncertain, particularly in emerging plays where relatively few wells have been drilled."

We are asking for an oversight hearing on this subject. IECA would be happy to testify in defense of U.S. manufacturing competitiveness and jobs.

Sincerely,

Paul Cicio
President

cc: Senate Committee on Foreign Relations

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales, over 3,700 facilities nationwide, and with more than 1.7 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, brewing, independent oil refining, and cement.