UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Golden Pass Liquefied Natural Gas (LNG) Export Project	Docket No. CP14-517

I. Summary of FERC Notice of Proposed Rulemaking

The staff of the Federal Energy Regulatory Commission (FERC or Commission) has prepared a draft environmental impact statement (EIS) for the Golden Pass Liquefied Natural Gas (LNG) Export Project, proposed by Golden Pass Products, LLC and Golden Pass Pipeline, LLC (collectively referred to as Golden Pass) in the above-referenced docket. Golden Pass requests authorization to expand and modify the existing Golden Pass LNG Import Terminal to allow the export of LNG, which would require construction and operation of various liquefaction, LNG distribution, and appurtenant facilities. The Project would also include construction of approximately 2.6 miles of 24-inch pipeline, three new compressor stations, and interconnections for bi-directional transport of natural gas to and from the Golden Pass LNG Export terminal.

II. Industrial Energy Consumers of America

The Industrial Energy Consumers of America is a nonpartisan association of leading energy-intensive trade-exposed (EITE) manufacturing companies with $1.0 trillion in annual sales, over 2,900 facilities nationwide, and with more than 1.4 million employees worldwide. 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, automotive, brewing, independent oil refining, and cement.

EITE industries use 75 percent of the natural gas and 73 percent of electricity consumed by the manufacturing sector, and would be negatively impacted if natural gas prices increase as a result of exporting LNG. EITE industries account for over 40 percent of all manufacturing jobs.

III. Comments on the Golden Pass Liquefied Natural Gas (LNG) Export Project

a. Changes to expand and modify the original application and require a new public interest determination.

The FERC and DOE should not approve the expansion/changes to this application request without conducting a new public interest determination which considers the applications' changes in conjunction with the cumulative economic impact of applications and expanded applications that have already been approved nationwide. The Natural Gas Act (NGA) requires that all applications and changes to applications and their volumes of LNG for export to non-free trade countries must be examined to show that such LNG export applications are not in the public interest.

All of the DOE LNG export studies show insignificant net economic gains, higher prices for natural gas, and negative impacts to wages and investment to several manufacturing sectors. All of the gains are concentrated in favor of those entities that own, produce, and export natural gas, and everyone else in the U.S. economy are negatively impacted.

The economic gains are so small that they are within error of the model's capability for a long-term forecast. Economists make clear that any macroeconomic modeling of the U.S. economy for a period of 25 years or more will have outcomes that perform poorly in the long-run and are not encouraged for important decision making. Economists warn that there are even greater errors on studies that evaluate global economic matters as in the case of LNG and the most recent DOE LNG export study entitled, "The Macroeconomic Impact of Increasing U.S. LNG Exports."[1] Despite this, the DOE has used such studies to justify more and more LNG exports.

The domestic and international market for natural gas and LNG has changed so dramatically over the last 18 months that the DOE LNG export studies and their scenarios fail to adequately reflect these structural market changes. Importantly, the DOE studies have failed to account for the impact of the falling price of crude oil in their scenarios and the direct impact that it has had and will continue to have on short- and long-term supply and the price of natural gas domestically.

For example, crude oil and NGL prices are a major determinant of U.S. natural gas supply, yet there is no evaluation of this relationship in the DOE LNG export studies. The fall of crude oil prices globally, and how major OPEC countries responded by maintaining production which will keep prices lower, is reducing oil and gas investment, thereby impacting the U.S. investment in oil and gas production. The studies do not consider crude oil at or below breakeven costs.

Both short- and long-term investment in production of oil and gas in the U.S. has been greatly impacted going forward to a degree with which has not been considered in any DOE LNG export study scenario. The historic fundamentals of investment that had relied on cash flow to incent drilling are gone. Lenders require higher prices to justify lending to the industry. Due to lower prices, the value of companies proven reserves have fallen which reduces what lenders will allow companies to borrow. DOE studies have not considered these significant and structural changes to oil and gas investments and the impacts to the supply and price of natural gas for the LNG public interest determination.

[1] The Macroeconomic Impact of Increasing U.S. LNG Exports"
http://energy.gov/sites/prod/files/2015/12/f27/20151113_macro_impact_of_lng_exports_0.pdf.

Lastly, existing studies have failed to include the impact of the EPA's Clean Power Plan and the extended production tax credits for renewable energy.

b. Defining the "public interest."

A U.S. Government Accountability Office (GAO) report[2] states that neither Congress, nor the DOE, has defined the "public interest." DOE is using guidelines developed in 1984 for LNG imports to inform LNG export public interest decisions.

The GAO report entitled, "Federal Approval Process for Liquefied Natural Gas Exports," dated September 2014 includes the following statement on page 11.

> In passing the NGA, Congress did not define "public interest;" however, in 1984, DOE developed policy guidelines establishing criteria that the agency uses to evaluate applications for natural gas imports. The guidelines stipulate that, among other things, the market - not the government – should determine the price and other contract terms of imported natural gas. In 1999, DOE began applying these guidelines to natural gas exports."

Criteria used 32 years ago for decision making on LNG ***imports*** should not be used to inform decision making on LNG ***exports***. In 1984, LNG imports were needed and they reduced risks of all kinds to domestic consumers and manufacturers. LNG exports will do the reverse. There is all pain and no gain for consumers.

LNG exports, according to the DOE report, "The Macroeconomic Impact of Increasing US LNG Exports," will reduce the price that Asian countries pay and increase U.S. prices and eventually, our prices will reach parity with Asia. The U.S. will have lost its competitive advantage. Importantly, manufacturers will have lost their competitive advantage, with very serious long-term implications for a viable manufacturing sector, jobs, investment, especially for EITE industries.

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[2] "Federal Approval Process for Liquefied Natural Gas Exports," U.S. Government Accountability Office (GAO), September 2014.

IECA is not against exports. We are against excessive exports that can occur because the DOE has not developed appropriate consumer-focused "public interest" determination guidelines that will inform appropriate decision making on LNG export applications and changes to applications.

The DOE needs to conduct a rulemaking to establish public interest guidelines for LNG exports. DOE and FERC should not give approval or conditional approval to any LNG export application, or authorize the expansion or changes to an LNG export application/terminal that has already been approved or conditionally approved without having established these guidelines and evaluated each application or changes to an application using the guidelines.

c. DOE-sponsored study "The Macroeconomic Impact of Increasing U.S. LNG Exports" should not be used.

The DOE study **"**The Macroeconomic Impact of Increasing U.S. LNG Exports" evaluates the economic impact of quantities of LNG exports of 12-20 Bcf/d. The study should not be used in association with the approval of the application request for an increase in export volume of Golden Pass or any other application.

IECA disagrees with the following major conclusions from the study.

- An increase in LNG exports from the United States will generate small declines in output at the margin for some energy-intensive, trade-exposed industries.
- Negative impacts in energy-intensive sectors are offset by positive impacts elsewhere.

Both of the above study conclusions fail to consider the "relative competitive cost impact" to EITE industries of LNG exports. One study bullet point reads: "In every case, greater LNG exports raise domestic prices and lower prices internationally. The majority of the price movement (in absolute terms) occurs in Asia." Page 17 of the study says that LNG exports increasing from 12 Bcf/d to 20 Bcf/d during 2026 and 2040, reduces prices in the Asian-Pacific market by 73 cents per million British thermal units, while increasing U.S. prices by 15 cents per million British thermal units – a combined net negative relative impact to competitiveness of 88 cents, or a 40% equivalent increase, as compared to current prices. A 40 percent impact to relative competitiveness is a very significant relative competitive cost impact and is not addressed in the study cost impacts.

Page 76 of the study states, "The largest increase in [LNG] exports occurs in the HRR cases, and it is in these cases where we see the largest increase in Henry Hub (topping out at $0.86 in the late 2030's) and the largest decrease in JKM (approaching $5.50 by 2040)." This means that our global competitors would see a decrease in prices of $5.50, while U.S. prices would rise $0.86, for a total negative competitive impact of $6.36. This would represent a substantial negative impact to U.S. EITE competitiveness.

Sincerely,

Paul N. Cicio, President
Industrial Energy Consumers of America
1776 K Street, NW, Suite 720
Washington, DC 20006
202-223-1661
pcicio@ieca-us.org

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