ADMINISTRATION REPORT ON SIGNIFICANT TRADE DEFICITS

INTERNATIONAL TRADE ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE

MAY 18, 2017

TESTIMONY
OF

PAUL N. CICIO
PRESIDENT
INDUSTRIAL ENERGY CONSUMERS OF AMERICA

1776 K Street, NW, Suite 720
Washington, DC 20005
202-223-1661
pcicio@ieca-us.org

My name is Paul Cicio and I am the president of the Industrial Energy Consumers of America, a trade association whose member companies are largely energy-intensive and trade-exposed, with combined revenues of over $1 trillion dollars and over 1.6 million employees.

The price of natural gas and electricity largely determine the ability of these companies to compete, especially with foreign companies who are often state-owned enterprises or subsidized by their own countries.

The purpose of this testimony is to thank President Trump for his support of the manufacturing sector and to warn the Administration that further approvals to increase LNG exports to non-free trade countries (NFTA) is a terrible mistake, which will cost manufacturing jobs and exports.

Approval of LNG exports to NFTA counties rewards them for not having a free or fair trade agreement with the U.S. It reduces the Administration's leverage in negotiating bilateral fair trade agreements that open markets for U.S. manufacturing goods and reduces or eventually eliminates the natural gas cost advantage for domestic manufacturers.

Total LNG export approvals have grown significantly to 96 percent of 2016 U.S. demand, a significant amount of natural gas exports. And, the Trump Administration has signaled support for many more export approvals.

Decisions being made today to approve more LNG export volumes are for periods of up to 30 years. Once these approvals are locked-in legally, it becomes too late to stave off future potential crushing demand and higher prices.

The Obama Administration failed to conduct the public interest determination required under the Natural Gas Act by not addressing the cumulative negative impact of LNG export volumes. It is for this reason that IECA is advocating for a halt to further approvals and establishing an "off-ramp" safety valve to protect U.S. consumers. The Natural Gas Act reflects the full intent of Congress and is consistent with President Trump's views of "America comes first."

It is timely to note that at this very moment, the Australian government is restricting LNG exports to address their domestic shortage of natural gas. The Australian government failed to put consumer safeguards in place and as a result LNG exports have driven-up domestic prices. Australian manufacturing company competitiveness has been greatly damaged and power plants have switched from natural gas to coal.

KEY POINTS

1. The LNG market is not a free or fair market. Buyers of LNG are either state-owned enterprises or state-controlled electric or gas utilities who, unlike domestic consumers, are insensitve to prices and have cost pass-through.

2. EIA data confirms that the so-called 100-year supply of natural gas is a myth. There is only a 53-year of supply at current demand.

3. EIA data confirms that already approved LNG export volumes to NFTA countries of 19.2 Bcf/day, plus cumulative domestic demand to 2050, only 33 years away, would consume upwards to 80 percent of U.S. technically recoverable natural gas resources.

4. The EIA AEO 2017 is predicting Henry Hub prices will increase 51 percent by 2020, only three years away and increase 118 percent by 2025. And, this price forecast includes LNG exports rising to only 10 Bcf/day.

5. The EIA AEO 2017, combined with the October 2015 DOE LNG export report, suggests that LNG exports accelerate consumption of low-cost shale natural gas up to a breakeven cost of $20/mcf by 2050, 33 years from now.

6. The October 2015 DOE LNG export study concluded that LNG exports increase domestic natural gas prices and lowers natural gas prices to foreign manufacturing competitors, especially in Asia. A lose-lose for U.S. manufacturing.

Thank you again for the opportunity to address this important issue. We look forward to working with the Administration on this important matter.