

**“A Competitive Edge for American
Manufacturing: Abundant American Energy”**

Before the House Committee on Energy and
Commerce, Subcommittees on Energy and
Power, and Commerce, Manufacturing and
Trade

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Verbal Testimony of

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President

Industrial Energy Consumers of America

Chairmans Whitfield and Terry, and Ranking Members Rush and Butterfield, thank you for the opportunity to testify before you today. My name is Paul N. Cicio, and I am the President of the Industrial Energy Consumers of America.

The shale gas revolution and lower natural gas and feedstock costs have launched the start of the manufacturing renaissance with announced manufacturing investments of over \$110 billion. This is the first wave of investment. The second wave will be from our downstream customers who will relocate to be near their suppliers and reduce their costs.

The Boston Consulting Group estimates that 5 million new jobs will be created in manufacturing by 2020. Every dollar's worth of natural gas run through our manufacturing economy creates up to \$8 in added value. This is a superior economic use of natural gas than exporting it as LNG.

The \$110 billion investment will also create new natural gas demand of between 7 to 9 bcf/day or about an 11 percent increase. This is all good news.

The most significant threat to the fulfillment of the manufacturing renaissance will be determined by the speed of LNG export terminal approvals and the volume of its shipments – which brings me to the key points of this testimony.

Doing it right can be a win-win for producers and consumers of natural gas. Doing it wrong will result in spiking natural gas and electricity prices, and an end to the manufacturing renaissance. We need to avoid what happened in Australia.

IECA is not opposed to LNG exports but warns policymakers that careless due diligence by DOE on the “public interest determination” of LNG export applications to non-free trade countries is of real concern. LNG terminal approvals are for up to 30 years. A lot can happen in 30 years.

In this regard, we are asking the members of these two Committees to support your natural gas consumer constituents back home by urging the DOE to do a rulemaking to establish transparent criteria and a process for decision making for LNG export facilities, with public input just as they did for consideration of LNG imports over a decade ago. This is a reasonable common sense request.

Domestic demand is accelerating and LNG export demand is additive to that demand.

For example, just six of the most likely export terminals would increase demand by 16 percent. The export demand would be on top of the AEO 2013 demand increase of 6 percent by 2020. Neither demand number includes the manufacturing renaissance demand of 11 percent. Combined, this is a 33 percent increase. This is a huge increase in a very short time frame.

The “public interest determination” for the approval of LNG exports to non-free trade countries is the law. The public interest test is really important because it is a safeguard to ensure that decisions are being made correctly and with up-to-date information. The responsibility for review of LNG export applications resides in the DOE.

In this regard, the DOE's recent decision raises concern. On May 17, 2013, in our opinion, the DOE failed in their fiduciary responsibility under the Natural Gas Act in the implementation of the “public interest determination” for consideration of the conditional approval of Freeport LNG terminal.

DOE cites three studies in approving the Freeport LNG export facility, all three use domestic demand assumptions that are two and a half years old and do not take the manufacturing renaissance into consideration. This raises serious questions on how they will make future decisions.

However, we do agree with comments in the "Conclusion" portion of the approval: it says....

"The reasons in support of proceeding cautiously are several:

- 1. The LNG export study, like any study based on assumptions and economic projections, is inherently limited in its predictive accuracy.*
- 2. Applications to export significant quantities of domestically produced LNG are a new phenomena with uncertain impacts; and*
- 3. The market for natural gas has experienced rapid reversals in the past and is again changing rapidly due to economic, technological and regulatory developments. The market of the future very likely will not resemble the market of today."*

Mr. Chairman, no one in your Congressional district wants higher natural gas and electricity prices. We ask for your help in this matter.

Lastly, decisions on LNG export applications need to be done on a case-by-case basis and sequenced to avoid price spikes, and give producers time to increase production. These are not unreasonable requests.

Thank you.