



Industrial Energy Consumers of America

The Voice of the Industrial Energy Consumers

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June 23, 2014

The Honorable John Boehner
 Speaker of the House
 U.S. House of Representatives
 H-232, US Capitol
 Washington, DC 20515

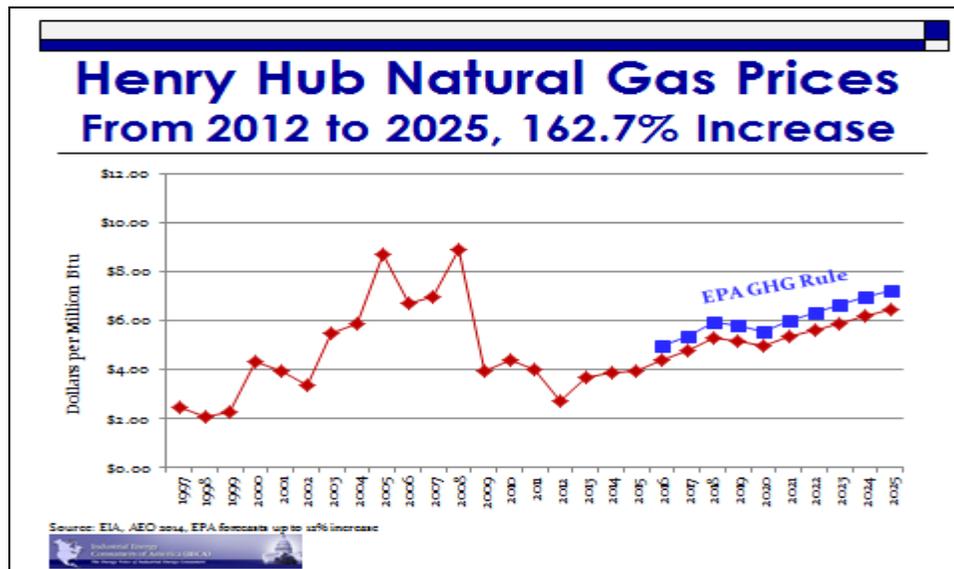
The Honorable Nancy Pelosi
 Democratic Leader
 U.S. House of Representatives
 H-204, US Capitol
 Washington, DC 20515

RE: H.R. 6, the “Domestic Prosperity and Global Freedom Act”

On behalf of the Industrial Energy Consumers of America (IECA), we urge you to oppose H.R. 6, the “Domestic Prosperity and Global Freedom Act.”

H.R. 6 is anti-consumer and puts the interests of natural gas producing states over every constituent and consumer of natural gas and electricity in the country. Residential consumers and voters have no idea what is about to happen to their cooling and heating bills once LNG export shipments commence. Once they know, members of Congress who voted for this legislation will be held accountable. The tripling of Australia’s domestic natural gas prices, as a result of LNG exports, can and will happen here.

As an clear indication of the troubling implications of H.R. 6 to manufacturing competitiveness and jobs, please note that not one trade association or company from the large natural gas consuming sectors such as chemical, plastics, iron and steel, aluminum, glass, paper, cement, nitrogen fertilizer, and food processing support this bill. The only trade associations that support H.R. 6 are the ones whose membership includes producers of natural gas.



Natural gas prices are forecasted to rise 162.7% by 2025, even without all DOE conditionally approved LNG export volume included.

A lot has been said about the significant and affordable natural gas resources that we have as a country. Why then is the Henry Hub price forecasted to rise 162.7 percent by 2025 as compared to 2012, according to the Energy Information Administration (EIA)? In the chart on page 1, IECA has added the EPA's estimate of the increased cost of natural gas due to the proposed EPA GHG regulation for existing electrical generating units to the EIA forecast of natural gas prices.

Importantly, the EIA AEO 2014 forecast includes only 2.7 Tcf of the 4.0 Tcf of LNG export volumes that have already been conditionally approved by the U.S. Department of Energy (DOE). The actual 2025 price will be much higher because EIA has not included the full impact of the retirement of 50,000 to 60,000 MWs of coal-fired electric generators due to the EPA Mercury MACT, the Industrial Boiler MACT, (both of which are forcing coal to natural gas fuel switching), and the anticipated lower ozone standard. EIA also forecasts that natural gas pipeline and LNG exports will exceed the size of residential demand by 2025.

DOE has already approved LNG exports greater than Qatar, the largest LNG exporter.¹

The DOE has already conditionally approved LNG export volumes, to countries with which the U.S. does not have a free trade agreement, which exceeds the current largest LNG exporter volume, Qatar. However, unlike the U.S., Qatar has an insignificant manufacturing sector while the U.S. has the largest manufacturing sector in the world which is truly dependent upon natural gas and natural gas-fired electricity for their competitiveness. The point is that exporting a considerable amount of LNG puts jobs in the U.S. manufacturing sector at risk. We are price sensitive industries that compete globally.

Australian LNG exports have tripled natural gas prices for their domestic consumers.

What happened to Australia can happen here in the U.S. over time. Like the U.S., both countries are endowed with vast natural gas resources and both are producing at record levels. What is different is that Australia started exporting LNG in 1989, and continues to increase export capacity which has tripled their domestic price of natural gas to an equivalent of about \$9 per mmBtu (wholesale price on the East Coast of Australia) and this price is expected to rise to \$11-\$12 per mmBtu next year as new export terminals begin to ship. Manufacturers are closing their doors and power companies are taking action to switch from natural gas to coal. The cost of home heating and cooling has soared.²

In Australia, domestic consumers are being asked to pay the Asian LNG export "net-back" price, which is the price of LNG in places like Japan and China which is currently at \$16 per mmBtu, less the costs of liquefaction and transportation between those countries and Australia. For example, \$16 per mmBtu of gas in China minus the \$4-5 liquefaction and transportation costs, nets back to Australia at \$10-\$11 per mmBtu. That is the price that Australian consumers will be asked to pay next year. The U.S. LNG "net-back" price is estimated at \$10 per mmBtu.

¹ DOE Summary of LNG Export Applications,

<http://energy.gov/sites/prod/files/2014/03/f9/Summary%20of%20LNG%20Export%20Applications.pdf>

² <http://www.abc.net.au/news/2014-03-27/gas-boom-threatens-australian-manufacturing-jobs/5349822>;
<http://www.smh.com.au/national/families-going-without-food-and-medicine-to-pay-the-bills-20130325-2gq2e.html>

The government of Australia allowed unfettered approval of LNG exports and their domestic consumers have been severely impacted. The Australian government failed to protect their consumers from the OPEC cartel crude oil-linked LNG pricing.³

Increasing LNG exports will not increase oil and gas jobs.

We all know that oil and natural gas production has grown significantly. However, from 2010-2013 oil and gas job growth was relatively small at only 59,527 new jobs added, while the manufacturing sector added 568,108 new jobs over the same time period. That’s almost ten times as many jobs. The point is that even if LNG exports are greatly expanded, the U.S. will not substantially increase jobs. It is in the “consumption” of natural gas by the value-adding manufacturing sector, that jobs are created, not through the production of natural gas.

Sector	Jobs Created (2010-2013)
Oil & Gas	59,527
Manufacturing	568,108

Source: Bureau of Labor Statistics

Using natural gas in manufacturing creates more jobs than LNG exports.

A 2013 study by Charles Rivers Associates compared the economic contributions of exporting 5 Bcf/day of LNG versus using the same amount of natural gas in manufacturing. The comparison makes clear that using natural gas in manufacturing creates superior benefits to the U.S. economy.

	DIRECT VALUE ADDED	TOTAL ON-GOING EMPLOYMENT	DIRECT CONSTRUCTION EMPLOYMENT
Manufacturing	\$4.9B	180,000 jobs	104,000 person years
LNG Exports	\$2.3B	22,000 jobs	23,000 person years

Natural gas is not a renewable resource. These resources provide a once in a lifetime treasure upon which to build our economy and manufacturing sector for future generations to come. Unfettered LNG exports undermine the economy by raising natural gas and electricity costs. We urge you to support the existing statutes that guide the applications of LNG exports.

Sincerely,

Paul N. Cicio
President

cc: U.S. House of Representatives

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.0 trillion in annual sales, over 1,500 facilities nationwide, and with more than 1.4 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: chemical, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, brewing, independent oil refining, and cement.

³ World LNG Report 2013 Edition, International Gas Union, http://www.igu.org/gas-knowhow/publications/igu-publications/IGU_world_LNG_report_2013.pdf/view