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

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July 19, 2017

The Honorable Bill Cassidy
U.S. Senate
520 Hart Senate Office Building
Washington, DC 20510

Re: Manufacturers Oppose S. 1415, the "License Natural Gas (LNG) Now Act"

On behalf of the Industrial Energy Consumers of America (IECA), we oppose S. 1415, the "License Natural Gas (LNG) Now Act" which raises serious long-term concerns for all consumers of natural gas, natural gas feedstock, and natural gas-fired electricity. S. 1415 terminates prohibitions on how much liquified natural gas (LNG) is exported and the removal of long-standing Natural Gas Act (NGA) protections for consumers. The below information illustrates how Louisiana has more to lose than gain from LNG exports.

The Energy Information Administration (EIA) is forecasting Henry Hub NYMEX natural gas prices to rise 87 percent by 2020. The price rise is in large part due to several LNG export terminals becoming operational. Every LNG study conducted by the U.S. Department of Energy (DOE) confirms that LNG exports increase domestic natural gas prices and decrease prices for our global competitors offshore, thereby directly and negatively impacting our relative competitiveness and jobs. The NERA-based DOE study stated that LNG exports reduce wages and investment, and shows only a small net economic benefit, which peaks in 2020 and rapidly declines.

Production of oil and gas, and exporting LNG, are not large job creators when compared to manufacturing. U.S. Bureau of Labor Statistics (BLS) data states that since 2010 U.S. manufacturing has increased by 820 thousand jobs, while the oil and gas industry created only 22 thousand jobs. Even if LNG exports double it would create few jobs. However, if natural gas prices rise, the manufacturing sector will be damaged, which would threaten millions of good paying jobs and trillions in capital assets nationally. The same holds true for Louisiana.

In figures 1 and 2, for Louisiana, the data makes clear that the oil and gas industry's contribution to jobs and GDP are significantly smaller than the manufacturing sector, who uses natural gas and invests tens of billions of dollars in new facilities. Louisiana has benefited from the reshoring of jobs, due exclusively to low natural gas prices.

Low prices will result in a continuation of investment and jobs by manufacturing. But, the reverse is also true. One only needs to look at what happened to manufacturing job losses when natural gas prices increased in the run up to 2008. It was devastating.

Figure 1: Louisiana Employment (Thousands)

Year	Manufacturing	Oil/Gas
2003	155.8	51.4
2004	153.3	56.5
2005	152.2	57.2
2006	152.7	61.9
2007	157.2	65.7
2008	152.8	70.3
2009	142.1	65.2
2010	137.9	65.9
2011	139.7	68.1
2012	142.2	68.2
2013	144.6	67.7
2014	147.5	67.3
2015	144.0	56.9
2016	135.8	44.7

Source: State and Area Employment, Hours, and Earnings, U.S. Bureau of Labor Statistics (BLS)

Figure 2: Louisiana GDP ($Millions)

Year	Manufacturing	Oil/Gas
2003	30,733	9,808
2004	38,735	11,047
2005	59,074	12,816
2006	54,631	14,487
2007	47,454	14,810
2008	44,432	17,708
2009	39,352	14,349
2010	52,713	15,812
2011	54,664	17,140
2012	57,671	15,882
2013	49,012	13,502
2014	52,553	12,324
2015	51,074	7,024

Source: Gross domestic product (GDP) by state, U.S. Bureau of Economic Analysis (BEA)

The DOE has already given final approval of 33.4 billion cubic feet per day (Bcf/d) of LNG exports for shipment to countries with a free trade agreement (FTA) and 20.6 Bcf/d for shipment to countries that do not have a free trade agreement (NFTA), for a total of 54 Bcf/d, an equivalent of 71 percent of U.S. 2016 demand. By any measure, this is a substantial amount of approved natural gas for export. This makes clear that removal of prohibitions are not necessary.

According to the EIA's Annual Energy Outlook (AEO) 2017, at forecasted cumulative demand to 2050, 56 percent of U.S. natural gas resources in the lower 48 states will be consumed. While we may be the largest producer of natural gas in the world, we must remember that we are also the largest consumer.

LNG export approvals by the DOE to countries with which the U.S. does not have a free trade agreement rewards them for not doing so. These approvals are inconsistent with President Trump's "America First" and fair trade policies. According to the EIA, in 2016, over 56 percent of all U.S. LNG exports were shipped to countries that do not have a free trade agreement with the U.S., including China. Many of those same countries subsidize their manufacturers. The U.S. should never ship LNG to countries that provide energy subsidizes to their manufacturers.

Long-term, if domestic natural gas prices rise to global levels, the U.S. will have lost its competitive advantage. The incentive to invest in the U.S. would be gone and onshoring would stop. We urge you to not act upon this legislation. Thank you for your consideration.

Sincerely,

Paul Cicio
President

cc: U.S. Senate
The Honorable Rick Perry, Department of Energy
The Honorable Wilbur Ross, Department of Commerce
The Honorable Robert Lighthizer, U.S. Trade Representative
Mr. Gary Cohn, National Economic Council
Mr. Peter Navarro, National Trade Council

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales, over 2,600 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.