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

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September 17, 2021

The Honorable Jennifer Granholm
Secretary
U.S. Department of Energy
Room 7A-257, Forrestal Building
1000 Independence Avenue, SW
Washington, DC 20585

Re: Require LNG Terminals to Reduce Export Rates to Fill Winter Natural Gas Storage, Establish LNG Export Volume Limits, and Put Public Interest Safeguards in Place

Dear Secretary Granholm:

We urge you to take immediate action under the Natural Gas Act (NGA) to prevent a supply crisis and price spikes for consumers this winter by requiring LNG exporters to reduce export rates in order to allow U.S. inventories to reach the 5-year average storage levels. U.S. consumers, the health of the economy, and national security should take priority over LNG export profits. Secondly, we urge you to place a hold on all existing, pending, and prefiling permits and approvals on LNG export facilities in the lower 48, and conduct a review of whether these facilities are in the public interest under the NGA. We are certain that they are not.

The U.S. Henry Hub winter strip natural gas price is $5.50 per MMBtu, more than double from a year ago, which on an annualized basis costs U.S. consumers around $109 billion. The U.S. Energy Information Administration (EIA) reports that working natural gas stocks totaled 3,006 Bcf, which is 17% lower than the year-ago level and 7% lower than the five-year (2016–2020) average for this week. To increase storage inventories to the five-year average by November, the U.S. would have to inject more than 90 billion cubic feet (Bcf) each week, a rate that is more than 40% higher than the five-year average weekly buildup rate.[1] The EIA supply data makes clear that increased production will not be forthcoming.

As natural gas prices rise, so does the cost of natural gas liquids (NGLs), which are feedstock raw material for production of plastics and chemicals that are vital to the

[1] "State of Natural-Gas Market Looks Unnatural," The Wall Street Journal, September 13, 2021, https://www.wsj.com/articles/natural-gas-market-conditions-look-unnatural-11631368802

supply chain for production of thousands of consumer products, therefore adding to inflation.

The low storage levels are the result of higher year over year exports. The EIA states that the U.S. has exported about 10% of its natural gas, a 41% increase from a year ago. We have not seen a 10% increase in production to offset this demand. Because offshore LNG demand and prices are high, S&P Global Platts calculates that "Henry Hub prices would have to increase to $10 per MMBtu to provide incentive to fulfill domestic natural gas demand."[2] At those price levels, as we experienced in 2008, manufacturing demand destruction occurs. Many manufacturers can no longer compete in the market at those prices. In 2008, we saw thousands of manufacturing facilities shut down because they were no longer profitable.

Further evidence of the need for action comes from the most recent DOE study entitled, "Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports."[3] The report was used to justify approval of more export capacity. On page 54 it states that "For all reference supply scenarios in the more likely range, natural gas prices could be from $5.00 to $6.50 per MMBtu in 2040." Prices that were supposed to be reflective of 2040 are already here.

The current LNG export application process is extreme and anti-consumer. It assures that all applications are approved. In fact, no export applications have been rejected.

Excessive LNG export volumes are inflationary and threaten the competitiveness of trillions of dollars of manufacturing capital assets, millions of jobs, and economic growth by driving up the cost of natural gas, natural gas liquids feedstock, and electricity. This also presents a threat to reliability, national security, and is a cost and human safety issue.

The U.S. must take action now to shift from an LNG export driven policy to one that is U.S. consumer-economy balanced and establishes common-sense and transparent public interest safeguards as intended under the NGA. We support a reasoned volume of exports as long as it does not negatively impact U.S. consumers and the economy as intended under the NGA.

It will also be important to revisit the DOE's 2020 decision to arbitrarily extend all approved export agreements by 30 years to 2050, which purposefully shifts incalculable risks from LNG exporters onto U.S. consumers.

The DOE's "Summary of LNG Export Applications" report as of June 21, 2021 states that 63 billion cubic feet per day (Bcf/d) has been approved for shipment to Free Trade

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[2] Same as above.
[3] "Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports," U.S. Department of Energy, June 7, 2018

Agreement (FTA) countries and 58.2 Bcf/d for Non-Free Trade Agreement (NFTA) countries through 2050. That is respectively 57% and 52% of the U.S. 2020 natural gas production, an alarming volume of approved exports. Pipeline exports equal another 8.6% of U.S. production.

Due to the DOE's decisions, the U.S. continues to export the majority of LNG to NFTA countries, the same countries that often impose trade restrictions on U.S. manufacturers. From February 2016 to June 2021, 69% of all shipments were to NFTA countries.[4] When Congress passed the NGA, they specifically distinguished shipments between FTA versus NFTA countries, implying a preference for shipments to free-trade countries. The DOE has ignored this preference.

The FERC report "North American LNG Export Terminals – Existing, Approved not Yet Built, and Proposed," as of April 16, 2021 identifies the status of export applications and how much volume each represent.[5] IECA urges you to place an immediate hold on the three bottom categories in bold and italicized.

- Operating: 11.1 Bcf/d
- Approved, under construction: 8.4 Bcf/d
- ***Approved, not under construction: 23.9 Bcf/d***
- ***Proposed, pending applications: 3.0 Bcf/d***
- ***Projects in prefiling: 5.5 Bcf/d***
    - Total: 51.9 Bcf/d

We look forward to discussing this urgent issue with you and developing a responsible way forward.

Sincerely,

Paul N. Cicio
Paul N. Cicio
President & CEO

cc: House Committee on Energy and Commerce
Senate Committee on Energy and Natural Resources
FERC Commissioners
The Honorable Katherine Tai, U.S. Trade Representative

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[4] LNG Monthly, U.S. Department of Energy, as of June 2021, http://energy.gov/fe/listings/lng-reports
[5] "North American LNG Export Terminals – Existing, Approved not Yet Built, and Proposed," U.S. Federal Energy Regulatory Commission, https://cms.ferc.gov/media/north-american-lng-export-terminals-existing-approved-not-yet-built-and-proposed-1