



Industrial Energy Consumers of America

The Voice of the Industrial Energy Consumers

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September 21, 2018

The Honorable Bob Corker
Chairman
Committee on Foreign Relations
U.S. Senate
425 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Bob Menendez
Ranking Member
Committee on Foreign Relations
U.S. Senate
528 Hart Senate Office Building
Washington, DC 20510

Re: S. 3229 – Energy Security Cooperation with Allied Partners in Europe Act of 2018

Dear Chairman Corker and Ranking Member Menendez:

On behalf of the Industrial Energy Consumers of America (IECA), we write to urge you to remove Section 5 of S. 3229, the “Energy Security Cooperation with Allied Partners in Europe Act of 2018.” Removing Section 5 would allow the U.S. to continue our strong support of our NATO allies without damaging domestic natural gas consumers by stripping away consumer protections under the Natural Gas Act (NGA). To the extent that Section 5 remains in S. 3229, IECA must oppose it.

IECA is not against LNG exports. We are against exporting LNG to levels that cause low domestic natural gas prices to rise to levels approaching the high global LNG prices, like what has happened to crude oil today, which would negatively impact our competitiveness. Despite the fact that the U.S. has increased crude oil production and has significant resources, prices remain attached to global prices. The U.S. consumer is paying very high prices for gasoline. As a result, the U.S. consumer is not benefiting from our country’s abundance of crude oil. The U.S. Henry Hub natural gas price is about \$3.00 MMBtu, while global LNG prices are around \$12.00 MMBtu or higher. We urge you to support us in this common-sense public policy objective.

Importantly, Section 5 of the bill is not needed for several reasons. First, the U.S. Department of Energy (DOE) has already approved LNG volumes for shipment equal to almost the entire LNG import capacity of the EU, as illustrated in the data below. And, EU countries have purchased very few U.S. cargoes. Second, Section 5 would give the Secretary of State the latitude to extend free trade status on LNG exports to any country in the future, thereby skirting around U.S. consumer protections within the NGA. This places foreign affairs and the energy security of foreign nations over U.S. manufacturing competitiveness and trade. It would also leave U.S. consumers with no redress to make

the case for limiting LNG exports in the future. Third, Section 5 appears like an unnecessary effort by natural gas producing states to remove important consumer protections from states which consume large amounts of natural gas. And fourth, according to the DOE, the third largest buyer of U.S. LNG is China. We fail to see how this legislation squares with LNG exporter's vast and growing LNG shipments to China.

The NGA provides automatic approval for LNG shipments to countries that have a free trade agreement (FTA) with the U.S. For LNG shipments to non-free trade agreement (NFTA) countries like the EU and Japan, the NGA requires that those exports be in the public interest.

For U.S. manufacturing who are dependent upon low-cost natural gas, natural gas feedstock, and natural gas-fired power generation, shipping LNG to the EU and Japan increases domestic natural gas prices and decreases EU and Japanese manufacturing costs, thereby negatively impacting our competitiveness. The EU and Japan both want access to U.S. natural gas, but do not want to give U.S. manufacturing products access to their markets. The U.S. Congress should NOT damage our competitiveness, which is what Section 5 does by stripping away the NGA's public interest standard.

The DOE study entitled, "Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports"¹ illustrates that LNG exports would substantially increase U.S. natural prices. Page 54 of the reports states that "for all the reference supply scenarios in the more likely range, natural gas prices could be from \$5.00 to \$6.50 per MMBtu in 2040. These mid-range scenarios have a combined probability of 47%." This is the highest probability the study gave any scenario. Since today's Henry Hub price is roughly \$3.00 MMBtu, the study confirms that natural gas prices could more than double. Causing domestic natural gas prices to rise to a level which would harm energy-dependent manufacturers and this cannot be in the public interest.

Section 5 is not needed. The NGA and its NFTA public interest provision have not been a deterrent for LNG exports going to the EU or anywhere else.

The DOE has already given final approval for 21.4 Bcf/d of LNG export volume to NFTA countries, an equivalent of almost 29 percent of U.S. demand. Export terminals volume with pending approval is another 32.7 Bcf/d or 44 percent of U.S. demand. These are incredibly large volumes of natural gas which concern U.S. consumers. To date, the DOE has never declined an export application that has completed the Federal Energy Regulatory Commission (FERC) NEPA process.

¹"Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Export," U.S. Department of Energy (DOE), June 7, 2018, <https://www.energy.gov/sites/prod/files/2018/06/f52/Macroeconomic%20LNG%20Export%20Study%20018.pdf>.

Below is DOE and FERC information which illustrates how many LNG export terminals are operating, under construction, approved, not under construction, and in the FERC process of receiving a NEPA permit approval.

Operating terminals with NFTA approval.

Terminals	Capacity (Bcf/d)
Sabine Pass	3.50
Dominion Cove Point	1.80
Total	5.30 Bcf/d (7.1% of 2017 demand)

Source: Company websites, 2017 U.S. natural gas demand was 74.22 Bcf/d.

Export terminals under construction with NFTA approval.

Terminals Approved, Under Construction	Capacity (Bcf/d)
Sempra-Cameron	2.10
Freeport	2.14
Cheniere-Corpus Christi	2.14
Sabine Pass	1.40
Southern LNG Company	0.35
Total	8.13 Bcf/d (11.0% of 2017 demand)

Source: LNG, Federal Energy Regulatory Commission, <https://www.ferc.gov/industries/gas/industry-act/lng/lng-approved.pdf> (as of July 13, 2018), 2017 U.S. natural gas demand was 74.22 Bcf/d.

Export terminals with NFTA approval and not under construction.

Terminals Approved, Not Under Construction	Capacity (Bcf/d)
Southern Union-Lake Charles LNG	2.20
Magnolia LNG	1.08
Sempra-Cameron LNG	1.41
ExxonMobil-Golden Pass	2.10
Total	6.79 Bcf/d (9.1% of 2017 demand)

Source: LNG, Federal Energy Regulatory Commission, <https://www.ferc.gov/industries/gas/industry-act/lng/lng-approved.pdf> (as of July 13, 2018), 2017 U.S. natural gas demand was 74.22 Bcf/d.

Although ample EU LNG import capacity already exists, the EU has purchased only 10.6 percent of all cargos from the U.S.

Since the U.S. began shipping LNG in February 2016, the EU has purchased only 42 cargos of 396 or 10.6 percent of all shipments (see figures below). And, it is not because the EU does not have LNG import capacity. According to the International Gas Union, the EU has 20.3 Bcf/d of import capacity. The U.S. DOE has already given final approval of 21.4 Bcf/d to export to NFTA countries, a volume that is greater than the EU's total import capacity.²

² "2018 World LNG Report," International Gas Union.

Shipments of Domestically-Produced LNG Delivered (cumulative starting from February 2016 through May 2018)

Country	# of Cargos	Volume (Bcf/d)	% of Total Exports
FTA Countries			
Mexico	72	0.68	18.8%
South Korea	69	0.65	18.1%
Chile	24	0.20	5.6%
Jordan	20	0.18	5.1%
Dominican Republic	6	0.04	1.1%
Panama	2	0.009	0.3%
Israel	1	0.009	0.2%
Colombia	1	0.004	0.1%
FTA Totals	195	1.77	49.3%
NFTA Countries			
China	53	0.49	13.7%
Japan	28	0.27	7.6%
India	18	0.17	4.8%
Argentina	16	0.13	3.6%
Turkey	12	0.11	3.1%
Brazil	12	0.09	2.6%
Kuwait	10	0.09	2.6%
Spain	11	0.09	2.5%
Portugal	8	0.07	2.0%
Egypt	5	0.05	1.3%
U.A.E.	5	0.05	1.3%
Pakistan	5	0.04	1.2%
Taiwan	5	0.04	1.2%
Italy	3	0.03	0.8%
United Kingdom	3	0.03	0.7%
Lithuania	2	0.02	0.5%
Netherlands	2	0.02	0.5%
Poland	1	0.009	0.3%
Thailand	1	0.008	0.2%
Malta	1	0.002	0.1%
NFTA Totals	201	1.81	50.7%
Grand Totals	396	3.58	100.0%

Source: LNG Monthly, U.S. Department of Energy, <https://www.energy.gov/fe/listings/lng-reports>

EU LNG Receiving Terminals by Capacity

Country	Terminal	Start Year	Capacity (MTPA)
UK	South Hook	2009	15.6
UK	Grain LNG	2005	15.0
Spain	Barcelona	1969	12.8
France	Dunkirk	2017	9.5
Spain	Huelva	1988	8.9
Spain	Cartagena	1989	8.9
Netherlands	GATE	2011	8.8
France	Montoir-de-Bretagne	1980	7.3
Spain	Saggas (Sagunto)	2006	6.7
Belgium	Zeebrugge	1987	6.6
France	Fos Cavaou	2010	6.0
Portugal	Sines	2004	5.8
Italy	Adriatic	2009	5.8
Spain	El Musel	2013	5.4
Spain	Bahia de Bizkaia Gas	2003	5.1
UK	Dragon	2009	4.4
Poland	Swinoujscie	2016	3.6
Greece	Revithoussa	2000	3.3
Lithuania	Klaipeda	2014	3.0
Italy	FSRU Toscana	2013	2.7
Spain	Mugardos	2007	2.6
Italy	Panigaglia	1971	2.5
France	Fos Tonkin	1972	2.2
Total Capacity			152.5 MTPA (20.3 Bcf/d)

Source: World Gas LNG Report – 2018 Edition, International Gas Union (IGU)

Finally, U.S. natural gas resources do have limits as illustrated using Energy Information Administration (EIA) data. The EIA AEO 2018 cumulative natural gas demand to 2050 consumes 69 percent of all EIA known technically recoverable resources in lower 48.³

We look forward to working with you on this important matter that has implications that extend well beyond national and energy security for our Allies in the EU.

Sincerely,

Paul N. Cicio
President

cc: Senate Committee on Foreign Relations

³ Annual Energy Outlook (AEO), U.S. Energy Information Administration (EIA), <https://www.ieca-us.com/wp-content/uploads/IECA-EIA-Cumulative-Report.pdf>.

Senate Committee on Finance

Senate Committee on Energy and Natural Resources

The Honorable Rick Perry, U.S. Department of Energy

The Honorable Wilbur Ross, U.S. Department of Commerce

The Honorable Robert Lighthizer, U.S. Trade Representative