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

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September 25, 2017

The Honorable Wilbur Ross
Secretary
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

The Honorable Robert Lighthizer
U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Secretary Ross and Ambassador Lighthizer:

Excessive LNG exports to countries with which the U.S. does not have a free trade agreement are inconsistent with President Trump's "America First" and fair-trade policies, and poses a significant long-term threat to manufacturing competitiveness and jobs. Shipping LNG to non-free trade agreement (NFTA) countries is rewarding them for not having a free trade agreement with the U.S. and reduces negotiating leverage to secure fair-trade agreements to support exports of manufactured goods. U.S. LNG exports lower their natural gas costs, thereby increasing their ability to compete with us. These are the same countries that place tariffs on exports of U.S. manufactured goods. The buyers of the LNG are state-owned enterprises (SOEs) or fully regulated state-controlled utilities who have automatic cost pass-through, which means the LNG market is not a free or fair market and would place U.S. consumers at a disadvantage long-term. In future peak demand scenarios, U.S. consumers cannot compete with the buying power of countries.

Given the implications of LNG exports to the manufacturing sector and all consumers, we urge you, as the agency which represents commerce, to establish a national LNG export policy for shipments to NFTA countries, which is consistent with the Trump Administration's fair-trade and "America First" policies, among other things as stated below.

It is not in the public interest for the U.S. Department of Energy (DOE) to commit to LNG export volumes for 20-30 years, equal to 68.8 percent of U.S. 2016 demand. Commitments of that duration and volume creates significant risk to the consumer. The DOE has already approved LNG exports equal to 20.6 Bcf/d for shipment to NFTA countries and 31.2 Bcf/d for shipment to free trade agreement (FTA) countries. This stunningly large amount of natural gas exports will substantially increase the price of natural gas for all consumers.

In an August 16, 2017 letter to Secretary of Energy Rick Perry, IECA illustrates two cumulative demand scenarios that spurred IECA's request for a moratorium on further NFTA applications by the DOE. Both scenarios show that even modest exports substantially reduce U.S. technically recoverable resources.

Scenario I assumes the Energy Information Administration's (EIA) Annual Energy Outlook AEO 2017 cumulative net demand for natural gas, which includes exports of LNG and shipments to Mexico and compares it to the EIA technically recoverable U.S. natural gas resources in the lower 48. The AEO 2017 forecast includes LNG exports rising to 12.1 Bcf/d by 2035. The scenario illustrates that with only 12.1 Bcf/d of LNG exports, plus domestic demand, 58 percent of all U.S. technically recoverable natural gas resources are consumed by 2050, only 33 years.

Scenario II uses the same assumptions as Scenario I, but includes the volume of LNG export applications equal to 51.8 Bcf/d, which the DOE has already approved. Using EIA's annual average forecasted increases in LNG exports from 2016 to 2020 of 1.58 Bcf/d and using this same growth rate for the years beyond 2020 until LNG export volumes reach 51.8 Bcf/d, 71 percent of U.S. technically recoverable resources are consumed by 2050.

In our letter to Secretary Perry, IECA identified five actions needed to protect U.S. consumers long-term. We urge you to support these.

1. Establish a national LNG export policy for shipments to NFTA countries, which is consistent with the Trump Administration's fair-trade and "America First" policies.

2. Establish a moratorium on further LNG export approvals to NFTA countries.

    a. Let existing LNG export terminals that are approved for shipment to NFTA become operational and determine if the natural gas industry has the capability to increase production, pipeline transportation, and storage capacity without price increases and/or supply shortages that damage the U.S. economy.

    b. Conduct a rulemaking to define public interest with a priority on maximizing domestic job creation, not just GDP. Conduct a new economic study guided by the definition of public interest.

3. DOE should implement its authority under the Natural Gas Act (NGA) to establish a process of ongoing monitoring of economic impacts of LNG export volumes, and with the ability to reduce LNG export volumes for purposes of establishing a safety valve for U.S. consumers and the economic welfare of the country.

4. DOE should condition all NFTA and FTA existing and new LNG applications. If they do not commence operation in five years, the facility should require re-permitting.

5. The Trump Administration should not allow foreign governments and state-owned enterprises or government controlled utilities to own, in whole or in part, LNG export facilities or U.S. natural gas resources.

LNG export policy which results in U.S. prices rising to global levels is inconsistent and not compatible with a job creating manufacturing sector. If that happens, state-owned enterprise entities will dictate prices for every American. This is not fair trade and not in the public interest, nor does it place America first. We look forward to working with you on this important matter.

Sincerely,

Paul N. Cicio
President

cc: The Honorable Rick Perry, U.S. Department of Energy
House Committee on Ways and Means
Senate Committee on Finance
House Committee on Energy and Commerce
Senate Committee on Energy and Natural Resources

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.