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

1776 K Street, NW, Suite 720 • Washington, D.C. 20006
Telephone (202) 223-1420 • www.ieca-us.org

October 1, 2019

Dorothy DeWitt
Director, Division of Market Oversight
U.S. Commodity Futures Trading Commission (CFTC)
1155 21st Street, NW
Three Lafayette Centre
Washington, DC 20581

Re: LNG Export Impacts on Natural Gas and Electricity Markets, Consumers, and Reliability of the Electric Grid and Natural Gas Pipeline and Storage Capacity Availability

Dear Ms. DeWitt:

On behalf of the Industrial Energy Consumers of America (IECA), we request that the CFTC provide oversight on LNG exports and their impact to natural gas and electricity consumers. In May 2018, the Market Intelligence Branch, Division of Market Oversight, produced a report titled, "Liquefied Natural Gas Developments and Market Impacts." The report correctly raised concerns for U.S. consumers. One of three major conclusions included:

> "U.S. LNG export growth may put upward pressure on domestic (U.S.) natural gas prices and expose a heretofore relatively isolated North America market to global market dynamics."

However, the report fails to address critical aspects of how LNG exports directly and indirectly impact electricity and natural gas prices that are priced on the margin, reliability of the electric grid, natural gas pipeline capacity availability, and natural gas storage capacity availability at peak winter demand, the lack of market transparency and the market power of state-owned-enterprises (SOEs) and foreign government controlled utilities (FGCUs), among other important issues. These issues are described in the attached September 11 letter to Secretaries Perry and Ross which examines the significant negative market implications.

Nearly 100 percent of all U.S. LNG exports are purchased or consumed by SOEs and FGCUs. These entities are poised to control the vast majority of the 34.5 Bcf/d, an equivalent of 42 percent of U.S. 2018 demand that has been approved for export by the U.S. Department of Energy (DOE) to non-free trade agreement (NFTA) countries for periods of up to 30 years. The DOE plans to approve another 20.0 Bcf/d, an equivalent to 25 percent of 2018 demand, that is pending or in pre-filing to export.

There is also growing ownership in U.S. LNG export terminals, natural gas resources, and importantly, direct or indirect control of firm natural gas pipeline transportation, which results in less access to, control, and availability of these resources and pipeline capacity for U.S.

consumers, manufacturers, and power generators. Inadequate pipeline capacity at peak demand would prevent power plants from operating and threaten grid reliability. Under the Natural Gas Act[1] (NGA), foreign government entities should be prevented from negatively impacting the public interest and national security.

The entrance of foreign country entities into the U.S. market changes everything and none of it for the better. SOEs and FGCUs are unique because they have automatic cost pass-through and are therefore less price sensitive. When foreign country entities buy or control firm natural gas pipeline capacity, it is serving their country's public interest, not the U.S. public interest, and the two are not compatible. Couple this with the regional inadequate pipeline capacity to meet today's peak demand and the tremendous increasing barriers to building new pipeline capacity and we have a perfect storm! As exports increase there are significant potential for negative impacts on prices for natural gas and electricity that are priced on the margin, pipeline transportation availability and costs, storage capacity, fuel and electricity security, energy independence, and manufacturing competitiveness.

We request a meeting to further discuss this matter. Thank you in advance for your attention to this matter.

Sincerely,

Paul N. Cicio
President

Attachment

cc: Senate Committee on Agriculture, Nutrition, and Forestry
House Committee on Agriculture

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales, over 3,700 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.

[1] Natural Gas Act, 15 U.S. Code § 717b. Exportation or importation of natural gas; LNG terminals, https://www.law.cornell.edu/uscode/text/15/717b