

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

October 7, 2022

The Honorable Mark Warner  
Chairman, Select Committee on Intelligence  
U.S. Senate  
Washington, DC 20510

The Honorable Adam Schiff  
Chairman, Permanent Select Committee on  
Intelligence  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Marco Rubio  
Vice Chairman, Select Committee on  
Intelligence  
U.S. Senate  
Washington, DC 20510

The Honorable Michael Turner  
Ranking Member, Permanent Select Committee  
on Intelligence  
U.S. House of Representatives  
Washington, DC 20515

***Re: National and Economic Security Implications for China Contracting Large Volumes of U.S. LNG for 20 Years***

Dear Chairmen Warner & Schiff and Vice Chairmen Rubio & Turner:

On behalf of the Industrial Energy Consumers of America (IECA), we urge you to examine the national and economic security implications of China's actions to contract for significant volume of U.S. LNG for periods of up to 20 years. Since September 2021, China has locked up a minimum of 44 percent of all contracted LNG (see figure 1). This is inconsistent with U.S. national and economic security and there are negative impacts to global geopolitics and the domestic industries that include the supply of defense materials. China is also locking up large volumes of LNG from Russia, Australia, and Qatar. In a period of LNG scarcity, who controls the molecules is important to the U.S. and our allies.<sup>1 2</sup> The Wall Street Journal reports that they are using these contracts to resale U.S. LNG to the EU at enormous profits.<sup>3</sup> Increased LNG exports result in prolonged U.S. systemic energy cost driven inflation.

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<sup>1</sup> Global Gas Scramble to Intensify After European Pipeline Blast, Bloomberg, Sept 28, 2022: [https://www.bnnbloomberg.ca/global-gas-scramble-to-intensify-after-european-pipeline-blasts-1.1824790?utm\\_source=substack&utm\\_medium=email](https://www.bnnbloomberg.ca/global-gas-scramble-to-intensify-after-european-pipeline-blasts-1.1824790?utm_source=substack&utm_medium=email)

<sup>2</sup> No Additional LNG Supply From Qatar Before 2025, Sept 28, 2022: [https://www.msn.com/en-xl/asia/bangladesh/no-additional-lng-supply-from-qatar-before-2025-petrobangla/ar-AA12l9Wz?utm\\_source=substack&utm\\_medium=email](https://www.msn.com/en-xl/asia/bangladesh/no-additional-lng-supply-from-qatar-before-2025-petrobangla/ar-AA12l9Wz?utm_source=substack&utm_medium=email)

<sup>3</sup> China is Rerouting U.S. Liquefied Natural Gas to Europe at a Big Profit, WSJ, Oct 3, 2022: <https://www.wsj.com/articles/china-is-rerouting-u-s-liquefied-natural-gas-to-europe-at-a-big-profit-11664772384>

One hundred percent of our member companies are from the manufacturing sector. They do not have an alternative to natural gas to produce a myriad of products that are essential for national defense and products needed for economic growth and quality of life. IECA membership includes chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, independent oil refining, and cement.

As an adversary, by contracting for large amounts of U.S. LNG, China can damage both national and economic security. Figure 2 illustrates that there is a direct correlation between the volume of LNG exports and higher domestic prices of natural gas. Natural gas prices also determine the price of electricity in most wholesale markets across the U.S. Therefore, there is a double impact to the economy that is inflationary.

To further elaborate on the threat of the accelerating inflationary impact of LNG exports in the future, on October 5, the chairman of LNG company Tellurian Inc, Charif Souki stated that "Getting (U.S.) gas in the water for \$4-\$5 is something of the past; if you really want to justify an investment ...you have to think of \$10-\$12."<sup>4</sup> On September 28, the Federal Reserve Bank of Dallas released the results of its Dallas Federal Energy Survey. Sixty-nine percent of the executives surveyed expect the age of inexpensive U.S. natural gas to end by year-end 2025.<sup>5</sup> The 2025 timing is aligned with the next tranche of LNG export capacity coming on-line see figure 4). The average Henry Hub price in 2021 was \$3.89/MMBtu.

Since September 2021, we have attempted to track who is buying U.S. LNG and for what periods of time. The list of contracts in figure 1 is not comprehensive. China has a total of 17 of the 46 contracts, equal to 4.3 Bcf/day. This is the tip of the iceberg. Many more contracts with China were signed before September 2021, however we do not have the resources to find them. This number also does not account for contracts between China and the multinational oil and gas companies who are listed in figure 1.

In periods of global scarcity of commodities, who controls the molecules has implications for both economic and national security. World demand exceeds supply.<sup>6</sup> No one has examined the implications of the scope of China's control over U.S. natural gas and its implications to national or economic security or the LNG supply globally.

Questions that should be addressed:

1. Why is the U.S. government giving China unlimited access to the U.S. natural gas market, a market that is struggling to provide sufficient supply at reasonable prices to domestic

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<sup>4</sup> U.S. gas at \$4-\$5 is a thing of the past, says Tellurian chairman; <https://www.msn.com/en-us/money/markets/u-s-gas-at-4-5-is-a-thing-of-the-past-says-tellurian-chairman/ar-AA12Axho?ocid=msedgdhp&pc=U531&cvid=2984610aa1c84b43afc051f3c4a55e99>

<sup>5</sup> Federal Reserve Bank of Dallas: <https://www.dallasfed.org/research/surveys/des/2022/2203.aspx#tab-forecastcharts>

<sup>6</sup> IEA: Natural gas markets to remain tight into 2023 as Russia's reductions bring tensions and uncertainty: [https://www.offshore-energy.biz/iea-natural-gas-markets-to-remain-tight-into-2023-as-russias-reductions-bring-tensions-and-uncertainty/?utm\\_source=lngworldnews&utm\\_medium=email&utm\\_campaign=newsletter\\_2022-10-04](https://www.offshore-energy.biz/iea-natural-gas-markets-to-remain-tight-into-2023-as-russias-reductions-bring-tensions-and-uncertainty/?utm_source=lngworldnews&utm_medium=email&utm_campaign=newsletter_2022-10-04)

consumers? The Energy Information Administration (EIA) reports that the U.S. was short 14.9 Bcf/day of natural gas last winter, which substantially increased prices of natural gas and electricity.<sup>7</sup> Even now, U.S. inventories are substantially below the five-year average and lower than Europe's (see figure 3).

2. What are the risks to the U.S. economy, national security and prolonged systemic energy price inflation, when we are guaranteeing a substantial supply of LNG to China and other countries for periods of 20 years? The U.S. DOE has approved LNG export volumes equal to 40.56 Bcf/d or 39 percent of 2021 net supply, plus additional approved volume via pipeline to Mexico LNG export facilities. This means that much more volume is available for China to contract via Mexico LNG facilities.
3. What are the risks to our allies and geopolitics of China's amassing significant LNG volumes globally? Who controls the molecules in periods of global scarcity matters.
4. In 2020, the DOE initiated a policy to extend LNG exports approvals for periods to 2050, which transfers supply and price risks from the exporter and their customers such as China, to domestic consumers and specifically to price sensitive manufacturing. This guarantees China's access to our natural gas market, while U.S. consumers have no alternative. Recently, natural gas Henry Hub prices increased about 300 percent from the 2021 average and wholesale electricity increased 200-300 percent regionally. Why has the DOE continued this destructive anti-America policy? This is a policy that lacks balance and is tilted in favor of LNG exports and is an anti-energy independence policy.
5. When LNG cargos leave a U.S. export terminal, the DOE has no control as to which country it goes. We believe that U.S. LNG is being traded for Russian LNG on the open seas. What are the implications?
6. Why has the DOE approved LNG export volumes that are nearly three times larger than what NATO consumes?

From a manufacturing perspective, below are the policies that are needed:

- Under the Natural Gas Act, the DOE has the ability to put in place consumer protections that would insulate domestic prices from global LNG demand. The DOE knows this, yet they have failed to act.
- The DOE should prohibit long-term contracts to China. This includes contracts through multinational companies who have contracts with the U.S. LNG terminals such as Shell, Exxon, Chevron, and a myriad of trading companies.
- The supply of U.S. LNG to China should only be permitted on a spot basis if there is adequate supply for the U.S. market. The EIA states that the U.S. was short 14.9 Bcf/d of natural gas for last winter.

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<sup>7</sup> "Record U.S. natural gas demand this winter led to largest storage withdrawal in four years," U.S. Energy Information Administration (EIA), June 6, 2022, <https://www.eia.gov/todayinenergy/detail.php?id=52638>

In closing, it is important to understand that natural gas consumers are much more vulnerable than consumers of gasoline, diesel, or even crude oil. Natural gas consumers do not have an alternative and are captive to a pipeline. If the U.S. were short gasoline, we can import it from every major harbor and ship it by tank car, truck, or barge. Natural gas consumers do not have that alternative.

Special consideration needs to be given to protect U.S. consumers from the market power of global LNG demand. We look forward to discussing these matters with you. Thank you in advance for supporting U.S. manufacturing.

Sincerely,

Paul N. Cicio

*Paul N. Cicio*

President & CEO

cc: Senate Committee on Energy and Natural Resources  
House Committee on Energy and Commerce  
House Committee on Natural Resources  
The Honorable Jennifer Granholm, U.S. DOE  
The Honorable Katherine Thai, USTR

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*The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.1 trillion in annual sales, over 11,700 facilities nationwide, and with more than 1.8 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.*

**FIGURE 1**

| Terminal          | Buyer                                  | Destination | Volumes<br>Bcf/day | Date                  | Contract<br>Length |
|-------------------|--|-------------|--------------------|-----------------------|--------------------|
| Calcasieu<br>Pass | China International United             | China       | 0.142              | September<br>18, 2021 | 3 years            |
| Calcasieu<br>Pass | CNOOC Gas and Power                    | China       | 1.071              | December<br>9, 2021   | 3 years            |
| Calcasieu<br>Pass | New Fortress Energy                    | Multiple    | 0.132              | March 16,<br>2022     | 20 years           |
| Calcasieu<br>Pass | ExxonMobil LNG Asia Pacific<br>(EMLAP) | Multiple    | 0.132              | May 10,<br>2022       | N/A                |
| Calcasieu<br>Pass | EnBW                                   | Germany     | 0.098              | June 21,<br>2022      | 20 years           |
| Calcasieu<br>Pass | Chevron                                | Multiple    | 0.132              | June 22,<br>2022      | 20 years           |
| Sabine Pass       | Sinochem Group Co., Ltd                | China       | 0.258              | November<br>4, 2021   | 17.5<br>years      |

| Terminal           | Buyer                            | Destination            | Volumes<br>Bcf/day | Date                 | Contract<br>Length |
|--------------------|----------------------------------|------------------------|--------------------|----------------------|--------------------|
| Sabine Pass        | ENN LNG Ltd.                     | China                  | 0.126              | October 1,<br>2021   | 13 years           |
| Sabine Pass        | Chevron                          | Multiple               | 0.132              | June 22,<br>2022     | 16 years           |
| Corpus Christi     | PetroChina International Company | China                  | 0.128              | February<br>8, 2018  | 20 years           |
| Corpus Christi     | Sinochem Group Co., Ltd          | China                  | 0.258              | November<br>4, 2021  | 17.5<br>years      |
| Corpus Christi     | ENN LNG Ltd.                     | China                  | 0.126              | October 1,<br>2021   | 13 years           |
| Corpus Christi     | PetroChina International Company | China                  | 0.237              | July 20,<br>2022     | 28 years           |
| Corpus Christi     | POSCO                            | South Korea            | 0.053              | May 25,<br>2022      | 20 years           |
| Corpus Christi     | Equinor                          | Norway                 | 0.115              | June 9,<br>2022      | 15 years           |
| Corpus Christi     | Equinor                          | Norway                 | 0.115              | June 9,<br>2022      | 15 years           |
| Corpus Christi     | Chevron                          | Multiple               | 0.132              | June 22,<br>2022     | 15 years           |
| Plaquemines        | China Petroleum & Chemical Corp. | China                  | 0.399              | September<br>1, 2021 | 20 years           |
| Plaquemines        | ExxonMobil LNG Asia Pacific      | Multiple               | 0.273              | April 29,<br>2022    | 10 years           |
| Plaquemines        | Shell                            | Multiple               | 0.263              | March 7,<br>2022     | 20 years           |
| Plaquemines        | New Fortress Energy              | Multiple               | 0.132              | March 16,<br>2022    | 20 years           |
| Plaquemines        | Petronas                         | Malaysia/Asia/Multiple | 0.132              | May 11,<br>2022      | 20 years           |
| Plaquemines        | EnBW                             | Germany                | 0.099              | June 21,<br>2022     | 20 years           |
| Plaquemines        | Chevron                          | Multiple               | 0.132              | June 22,<br>2022     | 20 years           |
| Rio Grande<br>LNG  | ENN LNG Ltd.                     | China                  | 0.200              | April 6,<br>2022     | 20 years           |
| Rio Grande<br>LNG  | Engie                            | France                 | 0.230              | May 2,<br>2022       | 15 years           |
| Rio Grande<br>LNG  | China Gas                        | China                  | 0.132              | July 5,<br>2022      | 20 years           |
| Rio Grande<br>LNG  | Guangdong Energy Group           | China                  | 0.132              | July 6,<br>2022      | 20 years           |
| CP2 LNG            | ExxonMobil LNG Asia Pacific      | Multiple               | 0.273              | April 29,<br>2022    | 10 years           |
| Energy<br>Transfer | ENN LNG Ltd.                     | China                  | 0.360              | March 29,<br>2022    | 20 years           |

| Terminal               | Buyer                               | Destination    | Volumes<br>Bcf/day | Date              | Contract<br>Length |
|------------------------|-------------------------------------|----------------|--------------------|-------------------|--------------------|
| Lake Charles           | ENN NG                              | China          | 0.237              | March 29,<br>2022 | 20 years           |
| Lake Charles           | ENN Energy                          | China          | 0.118              | March 30,<br>2022 | 20 years           |
| Lake Charles           | Gunvor Group                        | Multiple       | 0.263              | May 2,<br>2022    | 20 years           |
| Lake Charles           | SK Gas                              | South Korea    | 0.053              | May 3,<br>2022    | 18 years           |
| Lake Charles           | China Gas Holdings Limited          | China          | 0.092              | June 5,<br>2022   | 25 years           |
| Sempra                 | TotalEnergies                       | Multiple       | 0.175              | March 30,<br>2022 | N/A                |
| Sempra                 | TotalEnergies/Mitsui/Mitsubishi/NYK | Multiple       | 0.434              | April 4,<br>2022  | N/A                |
| Sempra                 | KOGAS                               | South Korea    | N/A                | April 4,<br>2022  | N/A                |
| Sempra                 | PGNiG                               | Poland         | 0.263              | May 16,<br>2022   | 20 years           |
| Sempra                 | PGNiG                               | Poland         | 0.132              | May 16,<br>2022   | 20 years           |
| Sempra                 | RWE Supply & Trading                | Czechoslovakia | 0.296              | May 25,<br>2022   | 15 years           |
| Sempra                 | INEOS                               | Multiple       | 0.184              | June 22,<br>2022  | 20 years           |
| Sempra                 | ConocoPhillips                      | Multiple       | 0.658              | July 14,<br>2022  | 20 years           |
| Delfin                 | Vitol                               | Multiple       | 0.066              | July 13,<br>2022  | 15 years           |
| Mexico<br>Pacific LTD  | Guangzhou Development Group         | China          | 0.263              | March 31,<br>2022 | 20 years           |
| Mexico<br>Pacific LTD  | Shell                               | Multiple       | 0.342              | July 12,<br>2022  | 20 years           |
| Total Contracts Volume |                                     |                | 9.72<br>Bcf/d      |                   |                    |

Source: Long-term Contract Information and Registrations, U.S. Department of Energy,  
<https://www.energy.gov/fecm/articles/long-term-contract-information-and-registrations>

FIGURE 2

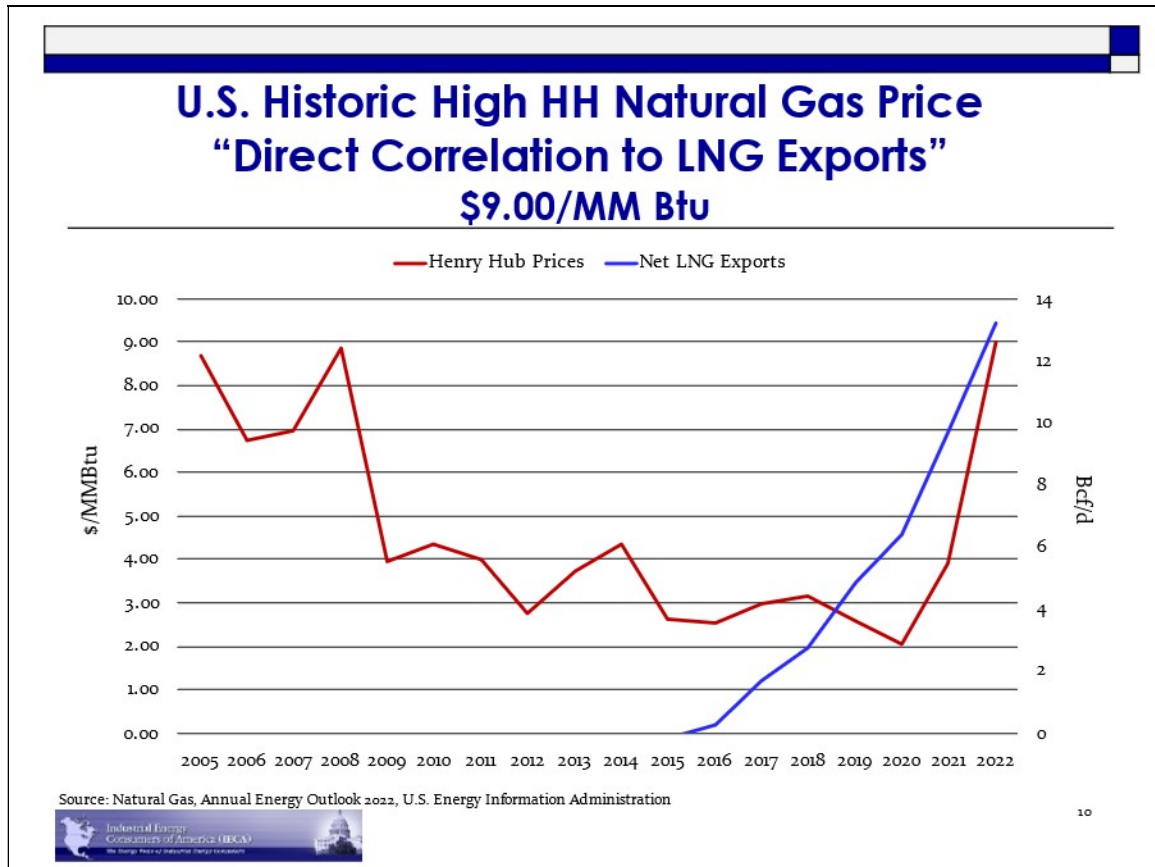


FIGURE 3

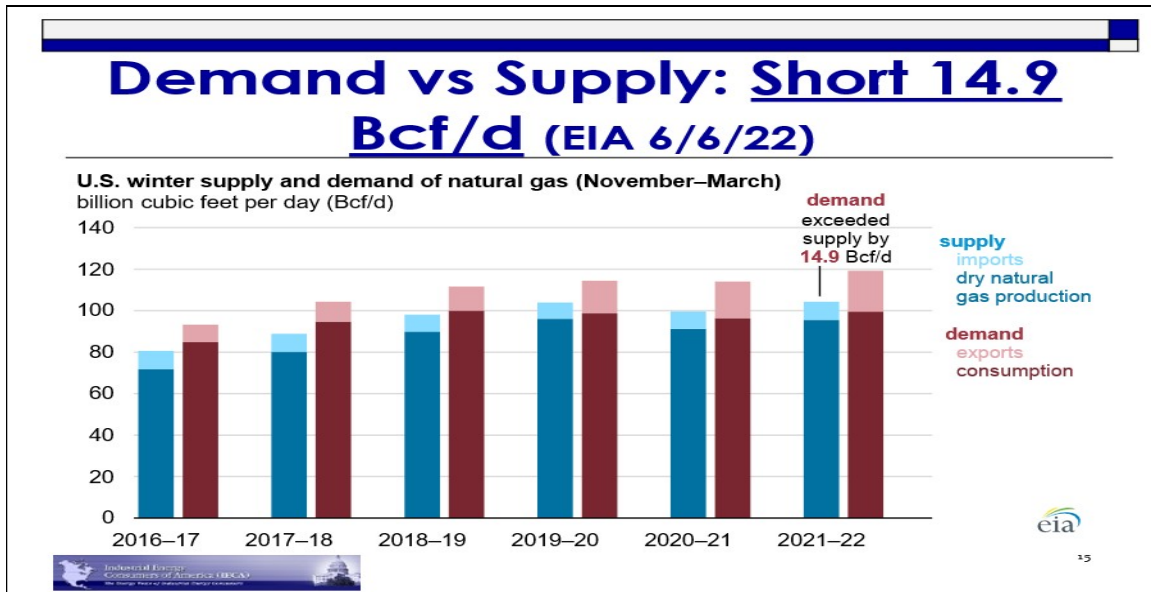


Figure 4

