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October 18, 2022

The Honorable Joe Manchin III  
Chairman  
Committee on Energy and Natural Resources  
U.S. Senate  
Washington, DC 20510

The Honorable Frank Pallone  
Chairman  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, DC 20515

The Honorable John Barrasso  
Ranking Member  
Committee on Energy and Natural Resources  
U.S. Senate  
Washington, DC 20510

The Honorable Cathy McMorris Rodgers  
Ranking Member  
Committee on Energy and Commerce  
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 - Natural Gas Prices are up 290 Percent since January 2020***

Dear Chairmen Manchin and Pallone and Ranking Members Barrasso and McMorris Rodgers:

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, we estimate that China has locked up about 44 percent of all contracted U.S. LNG (see figure 1). China's purchase of U.S. LNG has grown from 103,410 Mcf in 2015 to 453,304 Mcf in 2021 or 338 percent, tying South Korea at 453,483 MCF as the two largest buyers.<sup>1</sup> This is inconsistent with national and economic security and there are negative impacts to global geopolitics and the domestic industries that include the supply of defense materials. It is also inconsistent with the Natural Gas Act. Since January 2020, Henry Hub natural gas prices are up 290 percent while gasoline prices are up only 45% which proves that LNG exports result in prolonged systemic energy inflation.

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>2 3</sup> The Wall Street Journal reports that they are using these contracts to resale U.S. LNG to the EU at enormous profits.<sup>4</sup>

<sup>1</sup> EIA Natural Gas Annual, September 30, 2022: Table 9, page 30, <https://www.eia.gov/naturalgas/annual/>

<sup>2</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)

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. In August, Henry Hub prices exceeded \$9.00 per MMBtu. In constrained interstate pipeline areas, manufacturers pay \$24 per MMBtu.<sup>5</sup> But for LNG exports, the price would be around \$4.00 per MMBtu. 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 U. S. 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>6</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>7</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. 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 LNG demand exceeds supply.<sup>8</sup> No one has examined the

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<sup>3</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-AA12I9Wz?utm\\_source=substack&utm\\_medium=email](https://www.msn.com/en-xl/asia/bangladesh/no-additional-lng-supply-from-qatar-before-2025-petrobangla/ar-AA12I9Wz?utm_source=substack&utm_medium=email)

<sup>4</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>

<sup>5</sup> Transco Pipeline

<sup>6</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>7</sup> Federal Reserve Bank of Dallas: <https://www.dallasfed.org/research/surveys/des/2022/2203.aspx#tab-forecastcharts>

<sup>8</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)

implications of the scope of China's control over U.S. natural gas and its implications to national and 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 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>9</sup> (see figure 3). Even now, U.S. inventories are below last year and the five-year average and lower than Europe's.
2. What are the risks to the U.S. economy 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. The Natural Gas Act requires that shipments to non-free trade agreement countries must not be inconsistent with the public interest. No applications to export have ever been denied.
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. 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-consumer and 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 substantially larger than what the EU consumes?

From a manufacturing perspective, below are the policy actions that are needed:

- DOE should rescind its 2020 policy to extend LNG applications to export to 2050.

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<sup>9</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>

- The DOE should put in place a consumer protection policy that prioritizes the domestic market and assures reliability of supply for natural gas and power. The EU has an inventory policy that protects the consumer.
- 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 Committee should urge the DOE to reevaluate approved applications to export LNG volumes as to whether they are inconsistent with the public interest under the Natural Gas Act. Under section 16 of the NGA, DOE is authorized to “prescribe, issue, make, amend, and rescind such [export] orders...as it may find necessary or appropriate...” to satisfy its statutory responsibilities.

In 2021, total U.S. gross production was 113 Bcf/day. Total net supply was 105 Bcf/day (minus lease and plant fuel and pipeline and distribution losses).

#### Status of LNG export capacity

Status	Volume
Operating capacity	13.18 Bcf/d (13% of 2021 net supply)
Approved, under construction	6.58 Bcf/d (6% of 2021 net supply)
Approved, not under construction:	20.8 Bcf/d (20% of 2021 net supply)
Pending Applications	5.68 Bcf/d (5% of 2021 net supply)
Projects in Pre-filing	3.41 Bcf/d (3% of 2021 net supply)
<b>Total</b>	<b>49.65 Bcf/d (47% of 2021 net supply)</b>

#### U.S. natural gas supplied via pipeline to Mexico LNG facilities

Pipeline	Volume
Sempre – Costa Azul (Phase 1 & II)	2.0 Bcf/d
Sempre – Mexico Pacific Ltd.	1.88 Bcf/d
LNG Alliance Ltd – Amingo LNG	1.04 Bcf/d
Sempre/INova – Vista Pacifico	0.66 Bcf/d
CFE (Comision Federal de Electricidad, Salina Cruz)	0.4 Bcf/d
New Fortress Energy (Altamira Atlantic)	0.19 Bcf/d
<b>Total</b>	<b>6.17 Bcf/d (6% of 2021 net supply)</b>

U.S. and Mexico combined volumes are 55.82 Bcf/d (53% of net U.S. 2021 supply).

In closing, it is important to understand that natural gas consumers are much more vulnerable than consumers of gasoline, diesel, or 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  
The Honorable Jennifer Granholm, U.S. DOE

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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 Bcf/day	Date	Contract Length
Calcasieu Pass	China International United	China	0.142	September 18, 2021	3 years
Calcasieu Pass	CNOOC Gas and Power	China	1.071	December 9, 2021	3 years
Calcasieu Pass	New Fortress Energy	Multiple	0.132	March 16, 2022	20 years
Calcasieu Pass	ExxonMobil LNG Asia Pacific (EMLAP)	Multiple	0.132	May 10, 2022	N/A
Calcasieu Pass	EnBW	Germany	0.098	June 21, 2022	20 years
Calcasieu Pass	Chevron	Multiple	0.132	June 22, 2022	20 years
Sabine Pass	Sinochem Group Co., Ltd	China	0.258	November 4, 2021	17.5 years
Sabine Pass	ENN LNG Ltd.	China	0.126	October 1, 2021	13 years
Sabine Pass	Chevron	Multiple	0.132	June 22, 2022	16 years
Corpus Christi	PetroChina International Company	China	0.128	February 8, 2018	20 years
Corpus Christi	Sinochem Group Co., Ltd	China	0.258	November 4, 2021	17.5 years
Corpus Christi	ENN LNG Ltd.	China	0.126	October 1, 2021	13 years
Corpus Christi	PetroChina International Company	China	0.237	July 20, 2022	28 years
Corpus Christi	POSCO	South Korea	0.053	May 25, 2022	20 years
Corpus Christi	Equinor	Norway	0.115	June 9, 2022	15 years
Corpus Christi	Equinor	Norway	0.115	June 9, 2022	15 years
Corpus Christi	Chevron	Multiple	0.132	June 22, 2022	15 years
Plaquemines	China Petroleum & Chemical Corp.	China	0.399	September 1, 2021	20 years
Plaquemines	ExxonMobil LNG Asia Pacific	Multiple	0.273	April 29, 2022	10 years
Plaquemines	Shell	Multiple	0.263	March 7, 2022	20 years
Plaquemines	New Fortress Energy	Multiple	0.132	March 16, 2022	20 years
Plaquemines	Petronas	Malaysia/Asia/Multiple	0.132	May 11, 2022	20 years
Plaquemines	EnBW	Germany	0.099	June 21,	20 years

Terminal	Buyer	Destination	Volumes Bcf/day	Date	Contract Length
				2022	
Plaquemines	Chevron	Multiple	0.132	June 22, 2022	20 years
Rio Grande LNG	ENN LNG Ltd.	China	0.200	April 6, 2022	20 years
Rio Grande LNG	Engie	France	0.230	May 2, 2022	15 years
Rio Grande LNG	China Gas	China	0.132	July 5, 2022	20 years
Rio Grande LNG	Guangdong Energy Group	China	0.132	July 6, 2022	20 years
CP2 LNG	ExxonMobil LNG Asia Pacific	Multiple	0.273	April 29, 2022	10 years
Energy Transfer	ENN LNG Ltd.	China	0.360	March 29, 2022	20 years
Lake Charles	ENN NG	China	0.237	March 29, 2022	20 years
Lake Charles	ENN Energy	China	0.118	March 30, 2022	20 years
Lake Charles	Gunvor Group	Multiple	0.263	May 2, 2022	20 years
Lake Charles	SK Gas	South Korea	0.053	May 3, 2022	18 years
Lake Charles	China Gas Holdings Limited	China	0.092	June 5, 2022	25 years
Sempra	TotalEnergies	Multiple	0.175	March 30, 2022	N/A
Sempra	TotalEnergies/Mitsui/Mitsubishi/NYK	Multiple	0.434	April 4, 2022	N/A
Sempra	KOGAS	South Korea	N/A	April 4, 2022	N/A
Sempra	PGNiG	Poland	0.263	May 16, 2022	20 years
Sempra	PGNiG	Poland	0.132	May 16, 2022	20 years
Sempra	RWE Supply & Trading	Czechoslovakia	0.296	May 25, 2022	15 years
Sempra	INEOS	Multiple	0.184	June 22, 2022	20 years
Sempra	ConocoPhillips	Multiple	0.658	July 14, 2022	20 years
Delfin	Vitol	Multiple	0.066	July 13, 2022	15 years
Mexico Pacific LTD	Guangzhou Development Group	China	0.263	March 31, 2022	20 years
Mexico	Shell	Multiple	0.342	July 12,	20 years

Terminal	Buyer	Destination	Volumes Bcf/day	Date	Contract Length
Pacific LTD				2022	
Total Contracts Volume			9.72 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

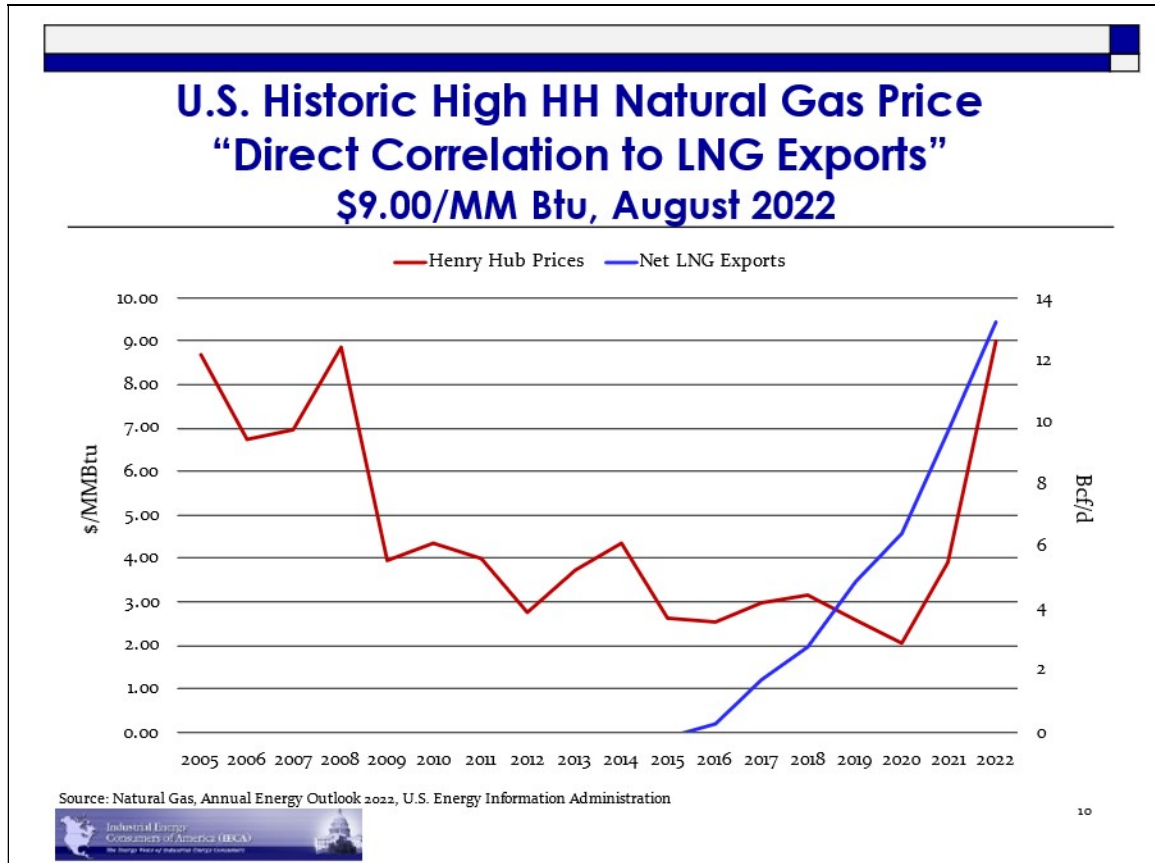




FIGURE 3

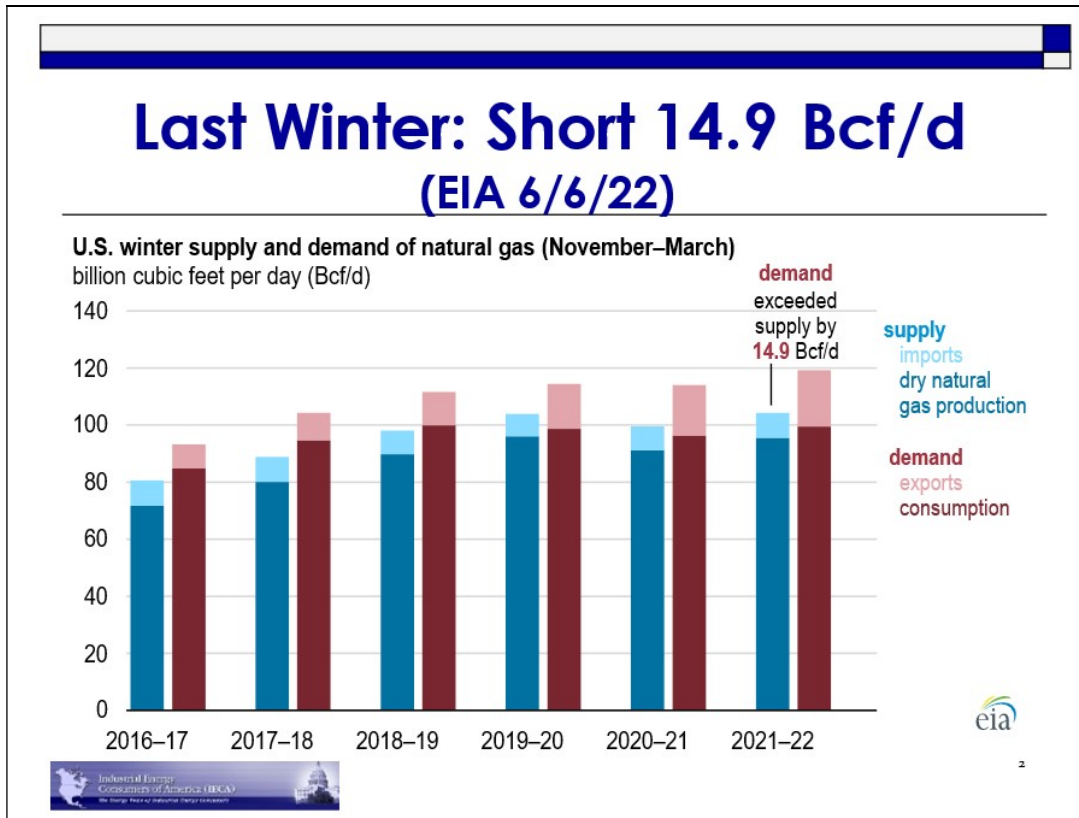


FIGURE 4

