



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

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November 7, 2013

The Honorable Ernest Moniz  
Secretary  
U.S. Department of Energy  
1000 Independence Avenue, SW  
Washington, DC 20585

***RE: U.S. Department of Energy Policy Protects the Capital Investment of LNG Export Terminals and Not Domestic Manufacturing Investments: A Balanced Policy is Needed***

Dear Secretary Moniz:

On October 17, 2013, Paula Gant, Deputy Assistant Secretary for the Office of Oil and Natural Gas of the U.S. Department of Energy (DOE), responded to Senator Ron Wyden's letter requesting an answer to the question of DOE authority to modify or rescind prior approved applications to export LNG. The letter says that it is the policy of the DOE to protect the capital investments of LNG export terminals. This is an anti-manufacturing policy and a detriment to new manufacturing capital investment and jobs. We do not believe that LNG export facilities should have greater investment protection than the domestic manufacturing sector, and we respectfully request a full review of this policy. A balanced policy is needed that serves both LNG exports and domestic consumers fairly.

While we recognize that Congress gave the DOE authority to modify or rescind prior approved applications to export LNG, the statutes are also very clear that you are to ensure all decisions regarding LNG shipments, especially to countries without a free trade agreement, reflect the "public interest determination." We do not believe that your "rescission policy" is consistent with the public interest determination.

It appears to us that the LNG export approval and rescinding process, and everything in between, is set up to make it extraordinarily prohibitive and expensive for consumers to be heard. This is a process that benefits those who produce and export natural gas, who have the financial means to spend millions of dollars to produce numerous studies and hire very expensive law firms. We would have hoped the DOE would play the role of public defender and consumer advocate, but that is not the case.

The following statement is in the second paragraph of the DOE's response to Senator Wyden's letter that reinforces our concern.

*"As we have stated consistently, DOE would not rescind a previously-granted authorization except in the event of extraordinary circumstances or use this authority as a price maintenance mechanism."*

This is a policy that picks winners and losers – and domestic consumers, including the manufacturing sector and home owners for that matter, are the losers. It explicitly says that it is alright for hundreds of billions of existing manufacturing sector capital investments and jobs to be at risk – but not the investments of LNG exporters, whose investors are natural gas traders, companies tied to sovereign governments, hedge funds and others.

Under this policy domestic consumers have no rights or protections from these LNG export facilities, creating higher domestic natural gas prices than what otherwise would have occurred. LNG export terminals can pass the increased costs of natural gas onto their customers, while manufacturers cannot. The capital investment price risk of an LNG export terminal versus a domestic manufacturing company is very different.

The LNG export terminal business model charges a fee for LNG throughput. In other words, they can pass the rising cost of natural gas onto their international customers. Domestic prices would have to rise from today's price of about \$3.50/mmBtu to \$9.00/mmBtu before the delivered LNG price would increase to international break-even levels, and the volume of shipments may be impacted at that point. This is due to the fact that the global price of LNG is being set by OPEC cartel crude oil indexed pricing. The global price of LNG is hardly a "market price." Manufacturers on the other hand, face global competition and cannot pass the increased costs of higher domestic natural gas and electricity onto their customers – which puts our capital investment at risk.

As a final example of how anti-consumer the DOE policy is, we note the process for consideration of revoking an export license. The DOE letter to Senator Wyden says that revocation of an LNG terminal approval would be subject to an adjudicatory hearing where "parties" would layout their concerns in writing. To be a "party" you would have had to intervene in the original application that was filed several years ago. It is completely unreasonable to expect consumers to have filed as a legal party to an application years ago in anticipation of a potential need for revocation of an export terminal.

If IECA had known (and other consumers for that matter) that this future revocation process required intervention in the original project application filing, we would have become a party to all of them. To our knowledge, only one other consumer organization has filed as a party, the American Public Gas Association. This policy

further demonstrates the lack of consumer protection, and the lack of a balanced policy approach between LNG exports and domestic consumers.

It is very concerning that the DOE is making vital public policy decisions that have significant consequences on the manufacturing sector, without ever having set legal standards on these matters. Instead, decisions are being made by DOE without transparency, and that is troublesome. These are matters that should have the benefit of public input and Congressional oversight.

In closing, we urge you to set legal standards to manage this important area through a rulemaking process that allows for public input. A new policy is needed. One that provides at least equal assurances to the manufacturing sector that their capital investments are just as valuable to the U.S. as LNG export facilities. We look forward to hearing from you.

Sincerely,

Paul N. Cicio  
President

cc: The Honorable Ron Wyden  
The Honorable Lisa Murkowski  
The Honorable Fred Upton  
The Honorable Henry Waxman  
The Honorable Penny Pritzker, Secretary of Commerce

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*The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.0 trillion in annual sales, over 1,500 facilities nationwide, and with more than 1.4 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: chemical, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, brewing, and cement.*