Industrial Energy Consumers of America (IECA)
The Voice of the Industrial Energy Consumers

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December 13, 2021

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

The Honorable Bobby L. Rush
Chairman, Subcommittee on Energy
House Committee on Energy and Commerce
Washington, DC 20515

The Honorable Cathy McMorris Rodgers
Ranking Member
Committee on Energy and Commerce
U.S. House of Representative
Washington, DC 20515

The Honorable Fred Upton
Ranking Member, Subcommittee on Energy
House Committee on Energy and Commerce
Washington, DC 20515

Re: H.R. 6084, the Energy Product Reliability Act

Dear Chairmen Pallone and Rush and Ranking Members McMorris Rodgers and Upton:

On behalf of the Industrial Energy Consumers of America (IECA), we offer support for H.R. 6084, the Energy Product Reliability Act, as it pertains to natural gas pipelines, but with important modifications. There is no federal agency with responsibility to ensure that there is adequate natural gas pipeline capacity at peak demand. Excessive U.S. Department of Energy (DOE) LNG export approvals are equal to 68 percent of domestic production and regulatory uncertainties regarding permitting of pipelines adds to these concerns. We support establishing an organization with federal oversight of natural gas pipeline capacity to ensure reliability. Our nation cannot have natural gas or electric reliability without a secure and reliable pipeline supply of natural gas. Natural gas pipelines should have the same oversight that exists for electricity, which includes both physical and cybersecurity.

One hundred percent of IECA member companies are from the manufacturing sector. As large manufacturers, if natural gas reliability fails it could shutdown tens of thousands of manufacturing facilities, cost tens of millions of dollars per day for each facility and result in the loss of innumerable jobs. The economic harm would be significant.

We acknowledge that pipelines are an inherently reliable and safe form of transportation and this is not the issue for us.

Today, there is no federal agency with responsibility to ensure that there is adequate pipeline capacity at peak demand or to ensure needed pipeline capacity is built. No federal agency

monitors it. This means that no one knows how much pipeline capacity is available for power generation, homeowners, and manufacturers at peak demand.

To further amplify our point for reliability purposes, at any moment in time, electricity stakeholders (producers, consumers, governments) know what the electricity generation reserve capacity is anywhere in the country. The same is true for transmission. The North American Electric Reliability Corporation (NERC), with coordination of regional transmission organizations know at what rate transmission lines are operating. This critical common-sense data is not available for natural gas pipelines holistically. It is available by going to each and every pipeline bulletin board. Without a timely holistic assessment of pipeline capacity constraints at peak demand, U.S. reliability is in jeopardy.

Historically, when interstate pipelines were built, pipeline developers were willing to add capacity above what was committed to by shippers under contract. Pipeline developers were expecting significant demand growth. But now many pipelines are at or nearing peak capacity on a seasonal basis. Unfortunately, as we hit the available capacity limits, there is no federal agency that has the responsibility or accountability to take short-term action in order to reduce the threat of reliability failures or to ensure needed pipeline capacity is built.

IECA supports the intent and direction of the Energy Product Reliability Act. It has been modeled after the NERC, a model that has worked well for electricity reliability.

H.R. 6084 has shortcomings that need to be addressed in order to provide a solution to stated reliability concerns. Without these changes, reliability cannot be ensured. Plus, the natural gas market is undergoing fundamental change, primarily due to excessive DOE approvals of LNG exports and the increased uncertainties around our nation's ability to permit and build new pipeline capacity.

The DOE has approved LNG export volumes of 62.8 Bcf/d, an equivalent of 68 percent of U.S. 2020 natural gas gross production for shipment to free-trade agreement (FTA) countries and 58.4 Bcf/d, an equivalent of 63 percent of U.S. 2020 natural gas gross production to non-free trade agreement (NFTA) countries. For perspective, the U.S. 2020 natural gas production was only 92.0 Bcf/d.[1] Today, pipeline and LNG exports account for about 20.0 Bcf/d and continue to increase.

The U.S. Energy Information Administration's (EIA) report states that year-end 2021 LNG export capacity is 11.6 Bcf/d. By the end of 2022, it will be 13.9 Bcf/d and by 2024 it will be 16.3 Bcf/d. The report states that additional DOE approved projects totaling 25 Bcf/d are making their final investment decisions in 2022.[2] Pipeline exports to Mexico are also growing.

Unless natural gas production and pipeline capacity can simultaneously increase to accommodate these increased export volumes, U.S. consumers will see their natural gas and

[1] Natural Gas Gross Withdrawals and Production, U.S. Energy Information Administration, https://www.eia.gov/dnav/ng/ng_prod_sum_a_EPG0_FGW_mmcf_a.htm
[2] Natural Gas Weekly Update, U.S. Energy Information Administration, https://www.eia.gov/naturalgas/weekly/?src=email

electricity reliability impacted and prices will increase. The proposed Energy Product Reliability Organization (EPRO) will need authority to monitor and bring transparency to pipeline capacity availability and take action in the event of anticipated capacity constraints that impact reliability.

NEEDED CHANGES TO H.R 6084

1. The EPRO must ensure that the standards include monitoring and transparent timely reporting of interstate and intrastate pipeline capacity. This is the only way of knowing if adequate pipeline capacity exists and to identify and support pipeline capacity that is needed.

2. The EPRO must have the authority to reduce pipeline and LNG export volume in the event that there is an insufficient supply of natural gas due to either commodity availability or pipeline capacity, to ensure U.S. reliability.

3. The EPRO must establish the necessary governance and review processes that allow for key stakeholders, including the manufacturing sector, to have strong representation and the opportunity to provide input into the decision-making processes.

We look forward to working with you on this very important issue.

Sincerely,

Paul N. Cicio

Paul N. Cicio

President & CEO

cc: House Committee on Energy and Commerce
FERC Chairman and Commissioners
The Honorable Jennifer Granholm, U.S. Department of Energy
The Honorable Katherine Tai, U.S. Trade Representative

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.1 trillion in annual sales, over 4,200 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, independent oil refining, and cement.