



Industrial Energy Consumers of America

The Voice of the Industrial Energy Consumers

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December 18, 2018

The Honorable Mick Mulvaney
Director
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Re: U.S. Department of Energy Fails to Respond to Data Quality Act Request for Correction: Study on Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports, Docket No. 201812621

Dear Director Mulvaney:

On July 27, 2018, the Industrial Energy Consumers of America (IECA) filed a Data Quality Act (DQA) Request for Correction regarding the U.S. Department of Energy's (DOE) report entitled, "Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports"¹ which violated the DQA. The DOE has failed to comply with the DQA by not responding to the request within 60 days. We urge you to respond and to comply with this request.

The DOE report in question is used to justify the approval of LNG export applications to non-free trade agreement (NFTA) countries. The impact is much greater than the \$100 million threshold required under the DQA.

The DOE has already approved LNG export volumes equal to 30 percent of 2017 U.S. demand for shipment to NFTA countries, and volumes equal to 75 percent of 2017 U.S. demand to free trade countries (FTA) countries, for periods of 20 to 30 years. Importantly, the DOE will consider the approval of 13 other applications to export in 2019.

Previous, DOE LNG export studies have stated that LNG exports have the following impacts:

¹ https://www.ieca-us.com/wp-content/uploads/07.27.18_DOE-CIO-Letter.pdf

- Natural gas Henry Hub prices are higher than they would otherwise be as U.S. LNG exports increase because producers increasingly exploit reserves with higher extraction costs.
- Higher natural gas prices will erode consumers' purchasing power both directly and indirectly as the impact of higher domestic natural gas prices filters through the supply chains of other sectors causing the prices of other goods and services to rise and this will negatively impact consumption with the energy-intensive sectors being most affected.
- Changes in relative natural gas prices across countries will impact U.S. competitiveness.
- If energy prices in the United States rise relative to energy prices in the rest of the world, this raises production costs for U.S. firms relative to international competitors.
- This erosion in U.S. competitiveness will weigh on the U.S. trade balance.
- The energy-intensive trade-exposed (EITE) sectors such as chemicals, plastic, cement, paper, steel, aluminum, food processing, glass and refining are generally the most exposed to shifts in industrial competitiveness.

REASONS FOR THE REQUEST FOR CORRECTION

1. The DOE study used a NERA proprietary economic model.

Third party economists have concluded that the results of the study are not reproducible, a requirement of the DQA. For this reason, a correction is necessary. A correction meaning that the study cannot be used for its intended purpose. Or, it must be redone with a non-proprietary economic model.

2. IECA seeks proof of paperwork and DOE decisions that the owner of the model, the peer-reviewed panel participants, and study contributors fully complied with the DQA.

IECA believes that possibly every one of the individuals/entities involved have or will receive financial benefits from the natural gas and LNG export-related industries, with the exception of John Staub of the EIA, and would not be independent in their views. A correction is necessary to comply with the DOE DQA guidelines of objectivity and integrity.

IECA requests the documents that were required to be filed by study participants. The DQA guidelines state that “peer reviewers be expected to disclose to agencies prior technical/policy positions they may have taken on the issues at hand, (c) per reviewers be expected to disclose to agencies their sources of personal and institutional funding (private and public sector), and (d) peer reviews be conducted in an open and rigorous manner.”

The reasons provided are serious violations of the DQA and we urge your action on this matter.

Sincerely,

Paul N. Cicio
President

cc: The Honorable Rick Perry
The Honorable Greg Walden
The Honorable Frank Pallone
The Honorable Lisa Murkowski
The Honorable Maria Cantwell
The Honorable Kevin Brady
The Honorable Richard Neal
Mr. Max Everett, U.S. Department of Energy

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.