

Response to: both studies and drawing on data from a third study

These two studies, while documenting important hypothetical macro results of hypothetical scenarios, are nonetheless too narrowly conceived to adequately assess the uncertainties and outlook for an investment in a natural gas export capacity for North America.

In part, the narrowness of scope of the two studies involves overlooking (or obscuring) environmental and social equity costs of an export capacity. To be sure, both studies address these issues to some extent.

For example, the Oxford et al study does appropriately frame the decision to greenflag the build-out of a North American export capacity as a “trade-off” in an economic struggle between gas producers (and their suppliers) on one hand and US consumers and manufacturers (including alternative energy producers) on the other (see p. 9). And even though they frame it appropriately, the highly aggregative results of their forecasts fail to specify who benefits and who loses and by how much.

(To be sure, the forecasted sector impacts and channels of impact that they study mentions reflect the limitations of many econometric models. They are relatively static, don't fully capture the many interdependencies of the real process of building and operating the NG export capacity and are still too aggregated to answer distributional questions in detail. The point is, a very specific group of gas producers, many of which are foreign owned, their employees, suppliers and contractors, and financial service providers, will benefit at the expense of a great bulk of American consumers and manufacturers. There may be an increase in GDP, but it is largely concentrated and re-concentrated in a small unrepresentative subset of US and foreign companies. Increases in aggregate-national income and aggregate-current account balances as the study optimistically states is a euphemistic way to spin the reality that it is only a cabal of corporate players that are increasing *their* income and *their* accounts, and at the expense of all the other players in the economy, consumer and manufacturer.)

The EIA study likewise indicates that an export capacity would result in higher consumer expenditures, higher usages of electricity, higher emissions, and $\frac{3}{4}$ of the export capacity dependent on the very dirtiest of NG production, shale sources. But again, the aggregative nature of these findings does not reveal the depth of how we are locked into a socially and environmentally suboptimal and destructive technology track for our country for 50 years.

Both studies fail to provide the precision necessary to make a strategic decision for such a vast, intercontinental physical infrastructure and its many ramifications for the distribution of income among various social groups domestic and foreign.

More importantly, however, the two studies fail to address the radical uncertainty of competitive conditions of global energy markets – even in the very near term, whose risks would presumably be easier to quantify. In particular, the continuing decline in costs and, hence, in competitiveness of renewable sources of energy, are stunting demand for gas-fired energy generation. A recent report by the Brattle Group (source URL below) shows how penetration into energy markets by wind and solar (and, for that matter, nuclear – as Japan has recently re-started its reactors) are undermining the profitability of natural gas investments.

Already the Asian price of LNG (now at \$10-\$11/MMbtu) is below the threshold delivered-price in order for profits to be made in a North American export capacity. This price collapse some think is only temporary and due to worldwide and Chinese economic slowdowns. The report advises against thinking that this is a temporary slowdown. Many forces are at work and the world market for NG is highly uncertain.

“[Energy] market participants should be very cautious in thinking that the LNG supply glut is necessarily a temporary problem because another important dynamic in the world energy markets is the declining cost of renewable power and the prospect of increased penetration of renewables in the global power generation mix.”

Some regions such as Germany and California where renewable penetration has been high have seen demand for natural gas stunted.

With the announcement by Chinese authorities that the country will adopt a greenhouse gas emissions cap-and-trade system, China is poised to follow in the footsteps of these regions. CO2 trading platforms make gas production and use more expensive and renewable energy sources more competitive. As more CO2 trading regimes appear, natural gas will be less of a viable energy source.

This is a society wide, public decision. It is right for the Energy Department to invite public responses to the private sector proposal to build a natural gas export facility in North America. The many uncertainties of both the viability of this particular energy source as well as the myriad opposing interests to it make it a clear case to not undertake this very risky and long-term destructive infrastructure.

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