



July 17, 2018

U.S. Department of Energy (FE-34)
Office of Regulation and International Engagement
Office of Fossil Energy
P.O. Box 44375
Washington, DC 20026-4375

Re: Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports (2018 LNG Export Study)

To Whom It May Concern:

The Marcellus Shale Coalition (MSC)¹ was formed in 2008 and is comprised of nearly 200 producing, midstream, transmission and supply chain members who are fully committed to working with local, county, state and federal government officials and regulators to facilitate the safe development of natural gas resources in the Marcellus, Utica and related geological formations. Our members represent many of the largest and most active companies in natural gas production, gathering, processing and transmission in the country, as well as the suppliers and contractors who service the industry. The MSC appreciates the opportunity to comment on the Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports (2018 LNG Export Study or Study).

Sustaining Domestic Natural Gas Production

The significant and historic increase in domestic oil and natural gas production over the past decade presents the United States with an unprecedented opportunity to grow our economy, achieve the essential elements of the decades-old pursuit of energy security, and reshape the geopolitical landscape in a manner that advances the interests of our citizens. Critical to attaining these goals is the ability to export production to overseas markets in a timely and cost-efficient manner, which requires a permitting and authorization process that is itself timely, predictable and reflective of the market realities in which the industry operates.

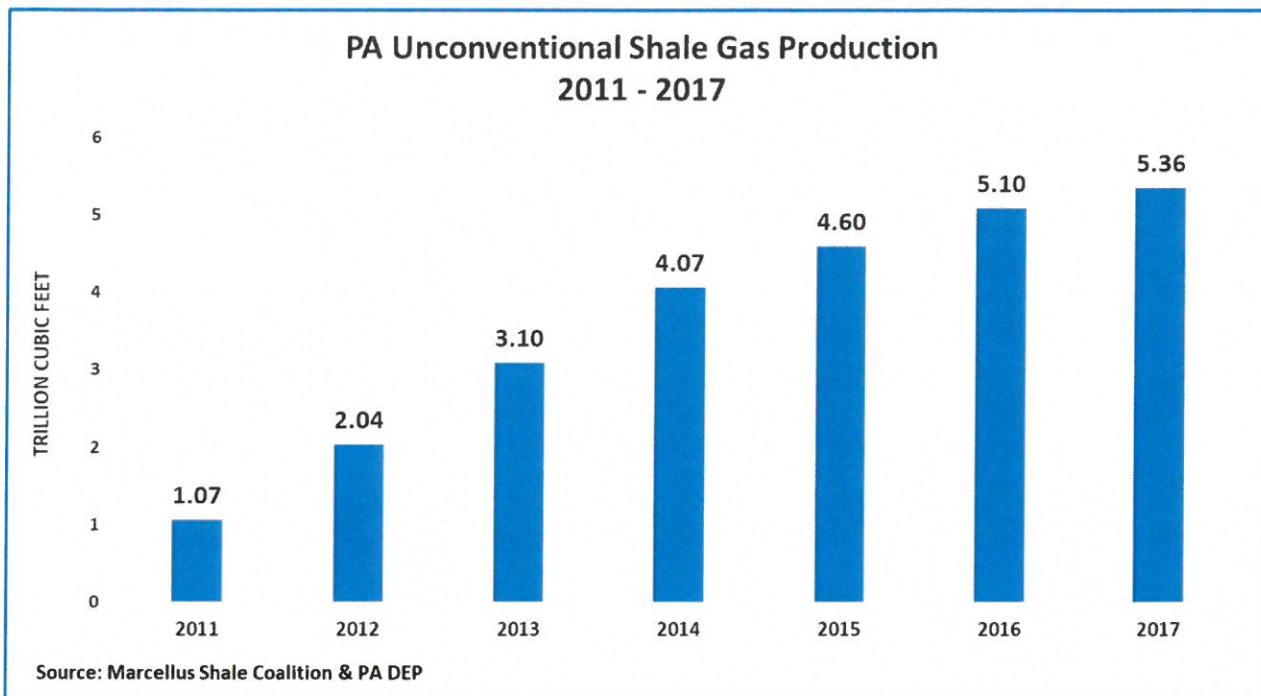
Pennsylvania has seen the most significant increase in natural gas production of any state in the nation. In total, MSC member companies produce nearly 96%² of Pennsylvania's unconventional natural gas, and approximately 20%³ of the nation's natural gas. The prolific increase in production over the past several years, as shown in the chart below, has resulted in Pennsylvania becoming the second-largest natural gas producer in the United States. As a result, Pennsylvania's producers – and by extension the economy of the Commonwealth – have a vested interest in accessing foreign markets in an effort to stabilize current price fluctuations and

¹ www.marcelluscoalition.org

² PA Department of Environmental Protection Unconventional Shale Gas Production (2017) and Marcellus Shale Coalition

³ U.S. Energy Information Administration: <https://www.eia.gov/todayinenergy/detail.php?id=35712>

encourage continued domestic investment and development in the Appalachian Basin. These economic benefits extend far beyond the Commonwealth's borders and bolster support for the Study's findings that exports are a net economic benefit for the United States. A recent report by IHS Markit suggests that the pace of domestic natural gas production continues to accelerate, and that U.S. production is expected to grow by another 60% over the next twenty years.⁴ Recent data presented by the International Energy Agency, which examines significant trends in the international natural gas market, reinforces the opportunities for global market growth and demand if the right policies are in place.⁵



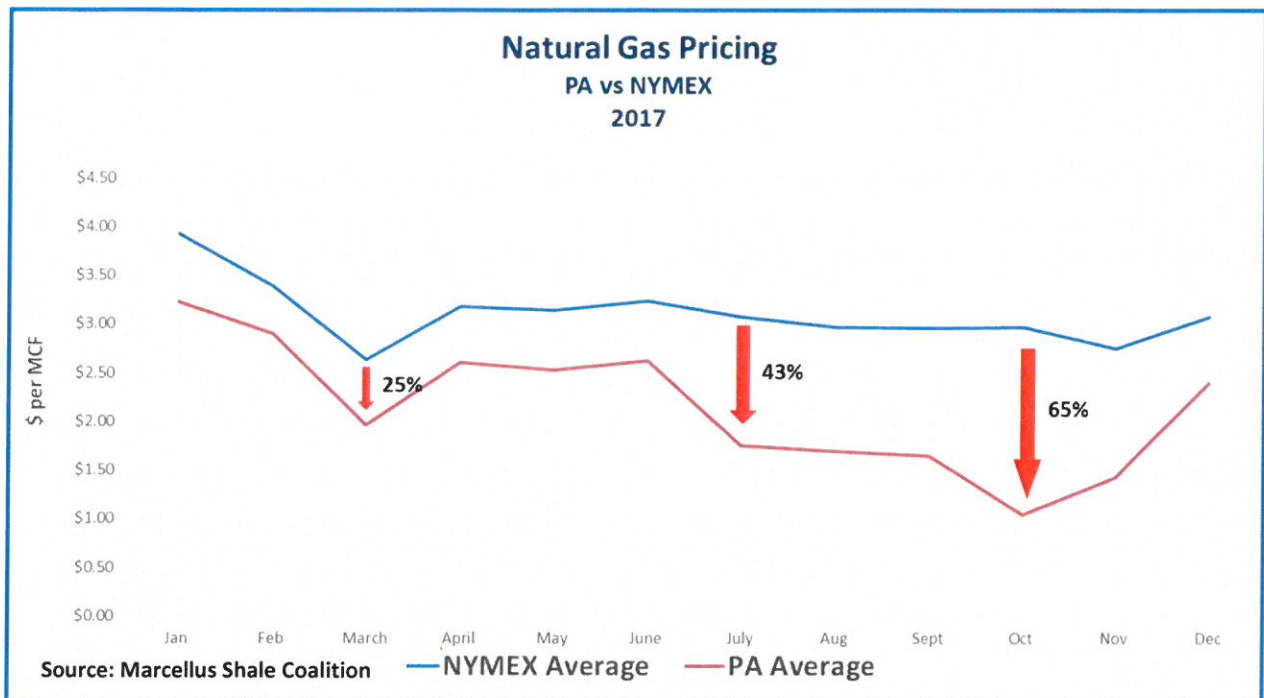
Enhancing Market Durability by Addressing Domestic Price Disparities

A key consideration that supports efforts to expand liquefied natural gas (LNG) exports is the disparity across basins in the United States of natural gas commodity prices. The lack of adequate pipeline takeaway capacity, coupled with the sheer abundance of natural gas available in the United States – and particularly in the Appalachian Basin – has resulted in price disparities that discourage additional capital investment in Appalachia and undermine the long-term health of the industry in the region.

⁴ IHS Markit – The Shale Gas Turns 10: A Powerful Wind at America's Back. June 20, 2018 – <https://ihsmarkit.com/Info/0618/shale-gale-turns.html>

⁵ International Energy Agency (IEA) – Gas Market Report 2018 – Dr. Faith Birol, Executive Director, IEA – June 26, 2018 presentation to World Gas Conference, Washington, D.C. <http://www.iea.org/media/presentations/Gas2018.pdf>

As demonstrated in the chart below, the average realized price received by many producers within Pennsylvania has been consistently and substantially below the NYMEX⁶ average benchmark price received in other basins. Depending on seasonal demand, at certain times in the year Pennsylvania natural gas producers are receiving, on average, 65% less than in other basins.



The 2017 price disparities mirror disparities seen in Pennsylvania's market in 2016, and they continue to affect the market in 2018, as well. These differentials are especially pronounced in northcentral and northeastern Pennsylvania, where approximately 58% of Pennsylvania's natural gas is produced.⁷

To be sure, domestic market growth, combined with the deployment of gathering, processing and transmission infrastructure, is critical to addressing these price disparities. However, even with aggressive growth in market demand within the state and region, Pennsylvania already produces four times the amount of natural gas than its total consumption.⁸ The sheer abundance of domestic natural gas – particularly in the Appalachian Basin – makes it critical to access additional markets overseas via LNG exports.

⁶ New York Mercantile Exchange, a commodity futures exchange which tracks and records natural gas market prices and is utilized to develop a composite industry average benchmark price.

⁷ Source: PA Department of Environmental Protection Unconventional Shale Gas Production (2017) and Marcellus Shale Coalition

⁸ U.S. Energy Information Administration – 2016 – Natural Gas Consumption v Marketed Production (*Natural Gas Monthly*)

Strengthening U.S. National Security Interests

As reported by the U.S. Department of Energy (Department), natural gas exports reached a record high in 2017, and the United States is now a net natural gas exporter for the first time in decades.⁹ An average of 1.94 billion cubic feet per day of natural gas were exported in 2017, quadruple the amount of exports from 2016, reaching over 25 foreign nations.¹⁰ It is important to note that as the U.S. increases domestic production and export to foreign markets, it presents a significant opportunity to supply crucial energy resources to U.S. allies that currently have limited access to natural gas or are overly dependent on sources of natural gas that originate in countries with interests that are often contrary to our national interests.

The MSC has met with representatives of foreign nations who are interested in learning more about natural gas production in Pennsylvania and the Appalachian Basin, and who are often very interested in diversifying their own supply sources. Several examples were shared with the MSC where natural gas supplies were terminated or interrupted by suppliers due to disputes over foreign policy, as well as overt efforts by the supplier countries to exert political and foreign policy influence on the dependent nation. Expanding LNG exports provides a significant opportunity to strengthen the relationship with U.S. allies who are overly or solely dependent upon hostile nations for their energy resources, and in turn provide significant and positive geopolitical stability in many sensitive regions of the world.

U.S. Department of Energy Policy Statement

The MSC supports and commends the Department for its recent Policy Statement¹¹ reaffirming its support for previously-approved long-term LNG export authorizations to non-Free Trade Agreement countries. The twenty-year authorizations provide significant stability and predictability for domestic natural gas producers. Likewise, past practice has demonstrated that the Department has acted judiciously in its discretion to rescind such agreements – most recently when an export project sponsor failed to act in a timely fashion, essentially withdrawing its own interest in the export project.¹²

Conclusion

The MSC supports efforts at the federal level to enhance LNG exports; They are crucial to stabilizing domestic natural gas markets, particularly in the Appalachian Basin, and positioning these markets for growth; They advance and strengthen our national security interests; and they are critical to providing stability and peace to troubled areas of our world that too-often are manipulated through reliance on non-U.S. nations for their energy resources.

⁹ U.S. Department of Energy, Office of Fossil Fuels: <https://twitter.com/ENERGY/status/1011991291054342146> (June 26, 2017)

¹⁰ U.S. Energy Information Administration – U.S. Liquefied Natural Gas Exports Quadrupled in 2017: <https://www.eia.gov/todayinenergy/detail.php?id=35512&src=email> (March 27, 2018)

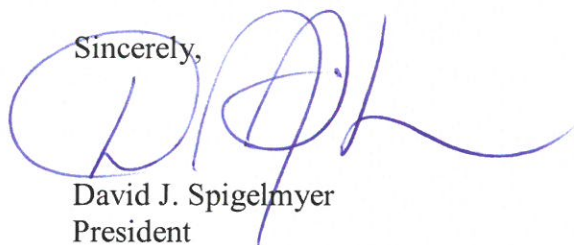
¹¹ Policy Statement Regarding Long-Term Authorizations To Export Natural Gas to Non-Free Trade Agreement Countries: <https://www.energy.gov/fe/articles/policy-statement-non-fta-natural-gas-export-authorizations> (June 21, 2018)

¹² DOE/FE Order No. 3482 Louisiana LNG Energy LLC – FE Docket No. 14-19 & 14-29



Thank you for your consideration of these comments. Should you require any additional information or clarification, please do not hesitate to contact me.

Sincerely,



David J. Spigelmyer
President