

July 26, 2018

U.S. Department of Energy (FE-34)
Office of Regulation and International Engagement
Office of Fossil Energy
P.O. Box 44375
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SUBJECT: *Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports (2018 LNG Export Study)* — Comments of the American Petroleum Institute

These comments are submitted by the American Petroleum Institute (API) in response to the request by the Department of Energy (DOE) for comments on the report “Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports” (herein referred to as the “*2018 LNG Export Study*”) published in the *Federal Register* on June 20, 2018.

API agrees with the primary conclusion of the study, which finds there is a consistently positive relationship between rising U.S. LNG exports and measures of economic performance. The study thereby confirms what multiple past studies have concluded, which is that U.S. LNG exports are a clear net benefit to the economy and are therefore in the public interest.

API applauds the DOE for undertaking this timely study. It is the fifth LNG study completed by the DOE since 2012 and is the most comprehensive to-date, examining 54 different scenarios. Notably, the *2018 LNG Export Study* put no constraints on U.S. LNG export levels, opting instead to employ a methodology that allows for “market determined” levels of exports. At the high end of the range of scenarios, modeled LNG export flows exceeded those studied in DOE’s past LNG reports. Yet, just as in the four previous studies, the *2018 LNG Export Study* clearly shows that even at high levels of LNG exports, the impact on domestic prices is minimal because these exports are generating incremental new natural gas production that otherwise would not have a domestic market. Further, the macroeconomic projections included in the study show U.S. LNG exports provide a net benefit American consumers and workers. As the report states:

“Throughout the entire range of scenarios, we find that overall U.S. economic output is higher whenever global markets call for higher levels of [U.S.] LNG exports, assuming that exports are allowed to be determined by market demand.”¹

The DOE’s *2018 LNG Export Study* is also consistent with several other recent studies focused on LNG exports, including API’s study published in 2017. The key findings of API’s study include:

¹ DOE. *2018 LNG Export Study*. Page 14.

- Increased LNG exports volumes of up to 16 bcf/d in 2040 could support between 220,000 to 452,000 additional jobs and add \$50 to \$73 billion to the U.S. economy.
- Estimates of current US natural gas resources are approximately 3,700 Tcf, which are higher than estimates of 3,550 Tcf in 2013.
- The potential global market is now estimated to be 32 Tcf by 2040, which is bigger than the 22 Tcf estimated in 2013.
- Increased LNG exports are estimated to have a minimal effect on the price of natural gas. Projected price impacts of LNG exports are anticipated to be half of earlier 2013 estimates due to efficiency gains and advances in energy production technology.

The results of the *2018 LNG Export Study* are also consistent with the U.S. LNG experience to date. Having commenced exports in early-2016, U.S. LNG cargoes have already been delivered to more than 25 countries spanning every region of the world, yet the impact on domestic prices has been negligible. This robust and comprehensive study concludes this dynamic will persist through 2040, showing that any corresponding increase in domestic natural gas prices because of LNG exports is minimal.

These conclusions are hardly surprising. The vast supplies of U.S. natural gas resources that are now available as a result of the energy renaissance have fundamentally changed the energy equation, positioning the United States as an energy superpower that can provide ample and affordable supplies to the domestic market while simultaneously providing for exports. As the report clearly states, “Increased exports of natural gas will improve the U.S. balance of trade and result in a wealth transfer into the United States.”² U.S. LNG exports are therefore consistent with, and indeed vital to, President Trump’s vision for energy dominance.

The increased availability of U.S. LNG is not only good for the United States, but for our trading partners, as well. Increasing the use of American energy throughout the world enhances our national security here at home and abroad by providing a reliable source of natural gas to our allies, including strategic allies with whom a free trade agreement does not exist (e.g., Japan and partners in Europe).

The increased use of LNG offers multiple benefits to importing countries. With global emissions on the rise, increased use of U.S. natural gas around the world could help make the world’s air cleaner. Already in the U.S., the increased use of natural gas has lowered U.S. emissions to levels not seen in 25 years. Many countries rightly view natural gas as a critical fuel for the future and understand it will play an outsized role in making their energy systems cleaner, more reliable and more efficient. The economic benefits of increased natural gas use extend to the industrial sector, where it is increasingly relied on as clean and efficient fuel and feedstock for a wide variety of industrial and commercial operations. Moreover, natural gas liquids (NGLs) that are a co-product of natural gas production and must be extracted before natural gas

² DOE. *2018 LNG Export Study*. Page 64.

is liquefied for export, have bolstered the U.S. petrochemical sector and fostered a renaissance in U.S. manufacturing. These trends reiterate the value of U.S. LNG at home and abroad.

Given the results of the *2018 LNG Export Study* and previous studies, API encourages the DOE to proceed expeditiously in reviewing and approving all pending LNG permit applications for U.S. LNG exports to non-FTA countries. Timing is of the essence, as any delay in making affirmative decisions on export applications puts U.S. projects at a competitive disadvantage in the global race to construct LNG facilities. Global LNG buyers have several options beyond the United States for the new supplies of LNG their economies demand. Unnecessary delays in the permitting process would put the United States at risk of missing out on the important economic and foreign policy gains associated with unfettered, market-determined levels of U.S. LNG exports.

This outcome would be deeply unfortunate and would mark a serious missed opportunity. As the U.S. leads the world in the production and refining of oil and natural gas, increased engagement with our global partners to promote the benefits of U.S. energy resources should remain a top priority moving forward.

As such, API again applauds the DOE's continued focus on the vital issue of U.S. LNG exports and its ongoing efforts to bolster the position of the United States as a dependable LNG supplier in this rapidly expanding global market. Further, API believes the conclusions of the *2018 LNG Export Study*—especially when considered along with DOE's four previous LNG studies—should put to rest any lingering concerns that increased U.S. LNG exports are not in the public interest. It should now be abundantly clear that U.S. LNG offers sizeable benefits to U.S. consumers, workers and the economy overall.

Respectfully submitted,

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