Extending Natural Gas Export Authorizations to Non-Free Trade Agreement Countries Through the Year 2050	))))	Docket No. 2020-02358

COMMENTS

The Office of Fossil Energy (FE) of the Department of Energy (DOE) gives notice (Notice) of a proposed policy statement (Proposed Policy Statement or Proposal). DOE is proposing to extend the standard 20-year term for authorizations to export natural gas from the lower-48 states—including domestically produced liquefied natural gas (LNG), compressed natural gas, and compressed gas liquid—to countries with which the United States does not have a free trade agreement (FTA) requiring national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy (non-FTA countries). Under the Proposal, existing non-FTA authorization holders could apply to extend their export term through December 31, 2050, on a voluntary opt-in basis; existing applicants could amend their pending non-FTA application to request an export term through December 31, 2050, on a voluntary opt-in basis; and DOE would issue all future non-FTA export authorizations with a standard export term lasting through December 31, 2050, unless a shorter term is requested by the applicant. In this document, DOE discusses the Proposed Policy Statement and invites comments on the Proposal. DOE is proposing this policy change under section 3(a) of the Natural Gas Act (NGA) and DOE's implementing regulations.

I. Industrial Energy Consumers of America (IECA)

IECA is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales and with more than 1.7 million employees. 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.

II. Comments

The DOE should not extend LNG export approvals from 20 to 30 years because doing so places incalculable and un-necessary financial and reliability risks upon U.S. natural gas and electricity consumers and the economy. The risks are especially high on manufacturing sector jobs, with potential significant impacts to natural gas and electricity prices and reliability.

The length of the DOE LNG export application approval, currently at 20 years, is a central issue to the Natural Gas Act (NGA) provision that requires that shipments to non-free trade agreement (NFTA) countries not be inconsistent with the public interest. The

DOE has not provided any explanation or study to prove that extending approvals to 30 years is not inconsistent with the public interest. Extending approvals from 20 to 30 years substantially increases financial risks to U.S. consumers exponentially.

It is one thing for the DOE to do a long-term economic study to determine the macroeconomics of LNG exports, but it is quite another, and far more impactful to the public interest, for the DOE to extend legal approval for shipments to 30 years.

Extending the length of LNG applications to 2050 would be a violation of the responsiblity granted to the DOE by Congress to protect U.S. consumers. One hundred percent of all of the LNG is consumed by foreign countries. The DOE's proposal prioritizes the supply of natural gas to foreign countries over domestic consumers. U.S. consumers do not have an economical alternative to natural gas.

There is no commercial or policy reason to extend the terms from 20 to 30 years. LNG exporters are unable to contract with LNG buyers to 20 years, let alone 30 years.

DOE approved LNG export volumes are a long-term threat to U.S. economic competitiveness. The DOE has approved 33.9 Bcf/day of LNG for non-free trade agreement (NFTA) countries, equal to 41 percent of U.S. demand and 55.8 Bcf/day for free trade agreement (FTA) countries, a volume equal to about 68 percent of U.S. demand. LNG exports of this magnitude could cause significant upward pricing pressure on natural gas and electricity prices as they did in Australia. Australia manufacturers are closing their doors and can no longer compete globally.

If natural gas prices rise due to LNG exports, and manufacturers are no longer competitive, the DOE's decision could jeopardize nearly 13 million manufacturing jobs and trillions of dollars of assets. In 2019, the manufacturing sector contributed $2.3 trillion dollars of U.S. GDP. In contrast, the most recent DOE LNG study states that by 2050, LNG exports, in 2016 dollars, contribute only $39 billion to the U.S. GDP. The point is that LNG exports contributions to the U.S. GDP is insignificant as compared to the potential financial risk to the manufacturing sector and the economy.[1]

Under the Natural Gas Act, the DOE has an obligation to ensure that export volumes to NFTA countries are not inconsistent with the public interest.

None of the DOE LNG export studies considered the following important areas. The DOE should not only not extend approvals to 2050, they should not approve more LNG export applications until or unless these areas are examined using non-proprietary economic models. All of the DOE LNG export studies used proprietary models. Using non-proprietary models allows third parties to examine the economic analysis. Doing so is also consistent with the Data Quality Act.

[1] "Macroeconomics Outcomes of Market Determined Levels of U.S. LNG Exports," U.S. Department of Energy, June 7, 2018.

Issues that the DOE LNG studies have never evaluated for their economic impacts, include:

1. **Pipeline capacity availability needed to supply approved LNG export volumes AND supply the growing domestic market going forward.**

Insufficient pipeline capacity is already a problem regionally and pipelines are getting more difficult to build and longer to place into service. Many manufacturing companies are unable to get sufficient pipeline capacity to operate existing facilities and expand them.

2. **Pipeline capacity availability at peak demand.**

This is especially important because all large LNG importing countries have winter when we do. This means that their winter demand coincides with U.S. winter demand and has the potential to create price increases and price volatility in both natural gas and electricity.

3. **LNG buyers are state-owned enterprizes (SOEs) or government-controlled utilities with automatic cost pass-through.**

This means that LNG buyers can pay any price for U.S. natural gas no matter how high the price goes. Their government backed mandate is to ensure supply for their country, regardless of cost. The reverse is true for U.S. manufacturers. We are price sensitive and cannot always pass costs onto our customers. In the 2008-2009 time period natural gas prices increased to levels that rendered manufacturers non-competitive, tens of thousands of manufacturing factories shutdown.

4. **Natural gas storage implications.**

LNG exports in peak demand periods pull down national natural gas inventories when U.S. consumers need it most, like in the middle of the winter. When inventories fall, prices rise.

5. **LNG exports decrease available natural gas pipeline capacity availability to domestic consumers. Exporters have locked up long-term firm pipeline capacity contracts, pipeline capacity that will not be available to domestic consumers for years to come.**

Natural gas export volumes decrease available pipeline capacity for the domestic market because the exported natural gas is contracted to the supply of other countries, not U.S. consumers. This means that the U.S. market has less pipeline capacity available than what is thought.

6. **Impacts of LNG export volumes on available pipeline capacity for domestic consumers.**

Natural gas pipeline capacity is critical to the growth of the entire manufacturing sector. Industrial natural gas demand represents 28 percent of total U.S. demand and manufacturers do not have an economic alternative.[2] Manufacturers operate 24/7. If there is inadequate pipeline capacity, we are the first to be curtailed and are forced to cut back or stop manufacturing operations. Costs can run in the tens of millions of dollars per day per factory. The same is true for reliability of electricity, a sector that has become largely dependent upon natural gas for its generation. Manufacturers are already impacted by decreasing power quality.

7. **Economic implications that the LNG market is NOT a free market**

The U.S. domestic natural gas market is a free market. All buyers and sellers have equal access and a level playing field. As stated earlier, the LNG market is dominated by SOEs and government-controlled utilities with automatic cost pass-through. And, because of this, when global LNG demand exceeds global supply, they have buying market power. The U.S. consumer cannot compete with SOEs and government backed utilities on price. If they need the natural gas, there is no limit to how much they can pay to secure needed supplies for their country.

8. **U.S. natural gas and electricity is priced on the margin.**

Every incremental demand on natural gas via LNG exports increases upward price pressures. As incremental demand drives up natural gas prices, it drives up incremental electricity prices. The DOE LNG studies used static fixed prices to evaluate costs which is completely inconsistent and unrealistic with how the U.S. natural gas and electricity market is priced.

9. **DOE studies failed to forecast the intense increase in natural gas demand for power generation.**

Failure to address the much higher demand, results in under estimating the price impacts to natural gas and electricity - and electricity reliability risks.

Sincerely,

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[2] Natural Gas, U.S. Energy Information Administration (EIA), https://www.eia.gov/naturalgas/