

Response of LNG Allies to the Industrial Energy Consumers of America

Proposed LNG Export Authorization Extension Through 2050 (Docket No. 2020-02358)

March 12, 2020

On March 11, 2020, the Industrial Energy Consumers of America (IECA) filed comments with the U.S. Department of Energy (DOE) in opposition to the proposed policy statement put forth by DOE 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)—to countries with which the United States does not have a free trade agreement (FTA) requiring national treatment for trade in natural gas. The comments submitted by IECA contain numerous errors in fact and logic which deserve a response:

- Pipeline Capacity.** IECA alleges that “insufficient pipeline capacity is already a problem regionally and pipelines are getting more difficult to build and longer to place into service.” **Response:** IECA is not wrong that pipeline infrastructure in certain regions is proving more difficult to permit with longer timelines. However, with few exceptions, the problem is confined to the Northeastern states, whereas LNG export facilities are mostly in or proposed for the Gulf of Mexico.
- Winter Pipeline Capacity.** Since most U.S. LNG customers “have winter when we do,” IECA alleges that overseas “winter demand coincides with U.S. winter demand and has the potential to create price increases and price volatility in natural gas and electricity.” **Response:** U.S. LNG exports have grown rapidly since the first cargo shipped in February 2016 and there is absolutely no evidence to support the IECA allegation of increased price volatility—either for U.S. gas or electricity consumers—from the ramp-up in U.S. LNG exports. In fact, the opposite is true. Price volatility has declined.
- Pay “Any Price.”** IECA states that purchasers of U.S. LNG are either “state-owned enterprises or government-controlled utilities with automatic cost pass-through” and can thus “pay any price for U.S. natural gas no matter how high the price goes.” **Response:** This is not true. Four years of hard data show that U.S. LNG end-use destinations vary greatly month-to-month, quarter-to-quarter, and year-to-year. (See Fig. 1) U.S. LNG goes wherever the market dictates and no customer of U.S. LNG has been willing over the past four years to “pay any price... no matter how high the price goes.” Competition among global LNG suppliers has kept prices low, and the competition for market share will only intensify as new LNG export projects are built in Russia, Qatar, Mozambique, and elsewhere.
- Impacts on Manufacturers.** IECA alleges that: “manufacturers operate 24/7... and if there is inadequate pipeline capacity, we are the first to be curtailed and are forced to cut back or stop manufacturing operations.” **Response:** IECA cites no evidence that this has happened over the past four years as U.S. LNG exports have risen. In fact, IECA cannot point to even a single manufacturing facility in the United States that has been forced to “cut back or stop operations” due to an inability to secure an adequate/affordable supply of natural gas.
- LNG Export Authorizations and U.S. Competitiveness.** IECA has been alleging for several years that “DOE approved LNG export volumes are a long-term threat to U.S. economic competitiveness.” Citing the volume of exports authorized to date by DOE, IECA argues (erroneously) that U.S. LNG

exports will rise inevitably to the authorized levels and thus “could cause significant upward pricing pressure on natural gas and electricity prices.” **Response:** U.S. LNG exports levels will depend entirely upon the global demand for such exports and no U.S. or international forecasting agency (such as the Energy Information Administration or the International Energy Agency) or natural gas producer, trader, or producer (such as Shell, BP, etc.) predicts that U.S. LNG exports will rise to anywhere near the levels authorized by DOE. Moreover, IECA never mentions the fact that U.S. natural gas production is not supply constrained, but rather demand constrained. America has sufficient supplies of natural gas (Fig. 2) to meet the needs of U.S. consumers in all sectors—residential, commercial, electric power, transportation, and manufacturing today, tomorrow, and for decades into the future (Fig. 3) without raising prices unduly (Fig. 4) while providing for robust LNG and pipeline exports.

Figure 1.

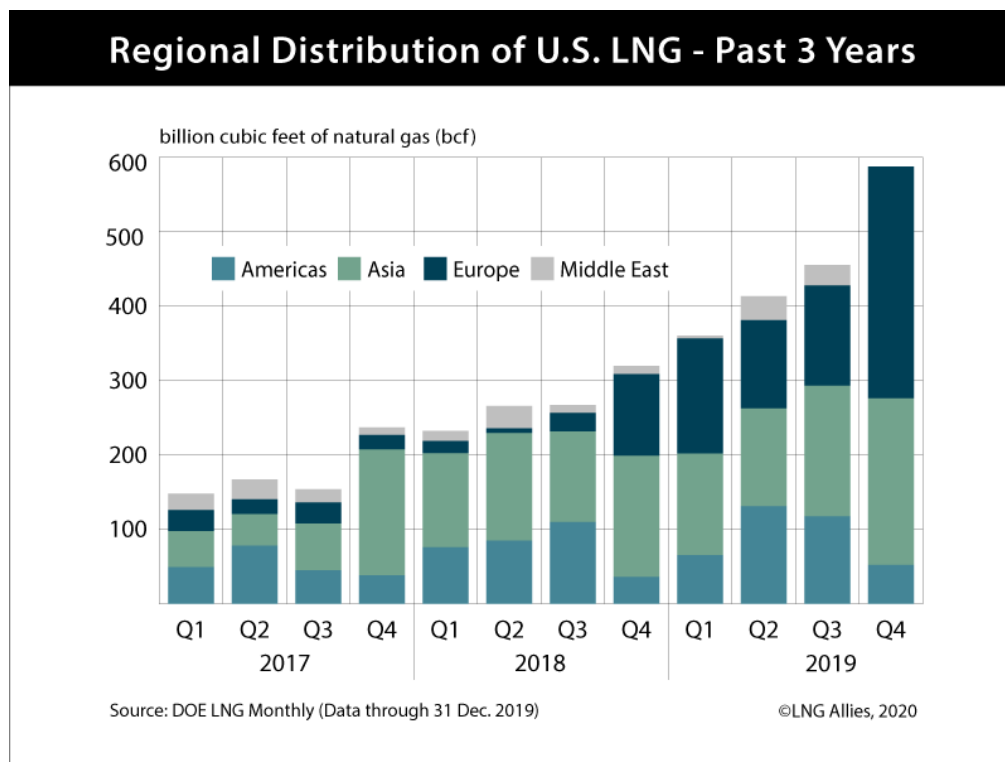


Figure 2.

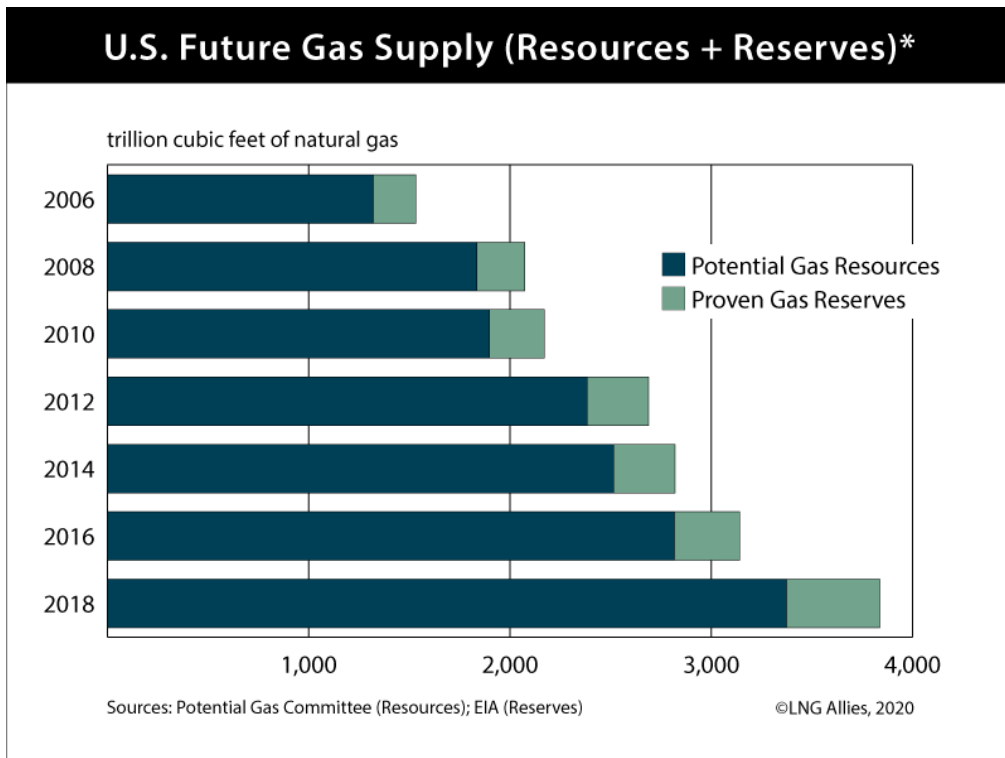


Figure 3.

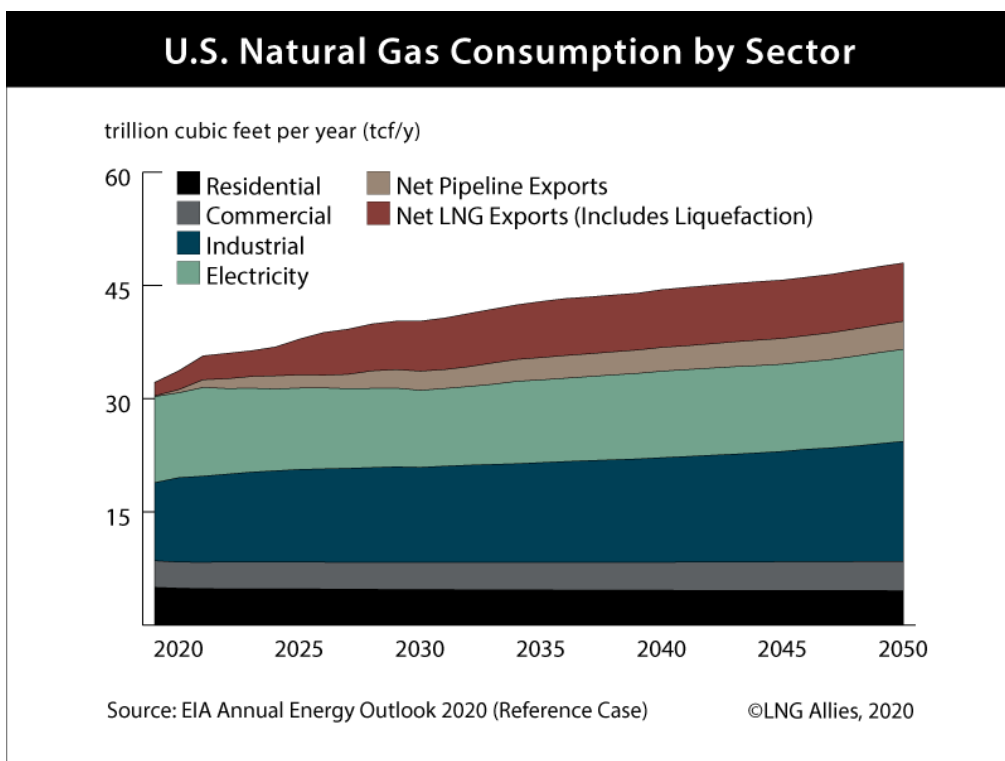


Figure 4.

