UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

Southern LNG Company, LLC	)	FE Docket No. 12-100-LNG

MOTION FOR LEAVE TO INTERVENE AND PROTEST OF THE AMERICAN PUBLIC GAS ASSOCIATION

Pursuant to Sections 590.303 and 590.304 of the Administrative Procedures with Respect to the Import and Export of Natural Gas,[1] the American Public Gas Association ("APGA") files this motion to intervene and protest in the above captioned proceeding. In support, APGA states the following:

I. COMMUNICATIONS

Any communications regarding this pleading or this proceeding should be addressed to:

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[1] 10 C.F. R. §§ 590.303, 590.304 (2012).

II. INTERVENTION

APGA is the national, non-profit association of publicly-owned natural gas distribution systems, with some 700 members in 36 states. Overall, there are some 950 publicly-owned systems in the United States. Publicly-owned gas systems are not-for-profit retail distribution entities that are owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities. APGA members purchase interstate natural gas transportation services, usually as captive customers of a single interstate pipeline, at rates and under terms and conditions that are regulated by the Federal Energy Regulatory Commission ("FERC"). APGA's members are active participants in the domestic market for natural gas where they secure the supplies of natural gas to serve their end users.

On August 31, 2012, Southern LNG Company, LLC ("Southern LNG") filed an application in FE Docket No. 12-100-LNG seeking long-term, multi-contract authorization to export approximately 0.5 billion cubic feet per day ("Bcf/d") of domestic natural gas as liquefied natural gas ("LNG") by vessel ("Application"). Southern LNG seeks authorization to export LNG from an existing LNG import terminal on Elba Island, Georgia to any country with which the United States does not have a Free Trade Agreement requiring the national treatment for trade in natural gas and LNG, that has or in the future develops the capacity to import LNG, and with which trade is not prohibited by U.S. law or policy ("non-FTA Nations").

APGA has a direct and substantial interest in this proceeding that cannot be adequately represented by any other party. APGA respectfully submits that good cause exists to grant its motion to intervene.

III. PROTEST

Southern LNG's request for authority to export domestic LNG to non-FTA Nations is inconsistent with the public interest and should be denied. The proposed exports from Elba Island, Georgia will increase domestic natural gas prices, burdening households and jeopardizing potential growth in the manufacturing sector, as well as the transition away from more environmentally damaging fossil fuels.

The Department of Energy Office of Fossil Energy ("DOE/FE") commissioned two studies regarding the effects of LNG exports. The first, conducted by the U.S. Energy Information Administration ("EIA"), studied the impact of LNG exports on domestic prices and concluded that the exports will increase prices, with higher volumes causing more drastic increases.[2] The second, conducted by NERA Economic Consulting, focused on the macroeconomic effects of LNG exports, which it found would be a net positive while at the same time confirming that LNG exports would raise domestic natural gas prices, which would burden the U.S. consumers who can least afford the increase and disadvantage domestic manufacturing.[3] The DOE/FE must consider Southern LNG's application in the context of both of these studies but go beyond these studies to consider the profound tradeoffs entailed by exporting away an increasingly valuable U.S. fuel rather than supporting its use domestically.

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[2] *Effect of Increased Natural Gas Exports on Domestic Energy Markets*, U.S. Energy Information Administration (Jan. 2012) ("EIA Export Report"). As requested by the DOE/FE, the EIA Export Report considered four scenarios: (1) 6 Bcf/d phased in at a rate of 1 Bcf/d per year (low/slow scenario); (2) 6 Bcf/d phased in at a rate of 3 Bcf/d per year (low/rapid scenario); (3) 12 Bcf/d phased in at a rate of 1 Bcf/d per year (high/slow scenario); and (4) 12 Bcf/d phased in at a rate of 3 Bcf/d per year (high/rapid scenario).

[3] *Macroeconomic Impacts of LNG Exports from the United States*, NERA Economic Consulting (Dec. 2012) ("NERA Study"). APGA understands (and applauds the fact) that the merits and demerits of the NERA Study will be assessed independently by DOE/FE in a separate proceeding (77 Fed. Reg. 73627); and hence APGA's comments here on the NERA Study are only preliminary and not intended to represent its complete assessment of the NERA Study.

Increased production of natural gas in the United States provides the Nation with an unprecedented opportunity to pursue energy independence and sustained economic growth through a manufacturing renaissance grounded in plentiful, low cost natural gas. Price increases will also jeopardize the viability of natural gas as a "bridge-fuel" in the transition away from carbon-intensive and otherwise environmentally problematic coal-fired electric generation and inhibit efforts to foster natural gas as a major transportation fuel, which is important to wean the U.S. from its historic and high-risk dependence on foreign oil.

Eventually, Southern LNG's plan to export natural gas will not prove economically viable. Economically recoverable domestic natural gas may prove less robust than projected, especially given associated environmental costs and concerns regarding the long-term productivity of shale gas wells. These matters aside, foreign alternatives will one day remove the price arbitrage opportunity that Southern LNG (and others) seek to take advantage of, as natural gas reserves from shale formations and export capacity expand around the world.

A. Background

Domestic, non-conventional natural gas production has increased dramatically in a few short years, upending the business model of would-be LNG importers, such as Southern LNG. In 2002 and 2006, Southern LNG applied for authorization from the FERC to expand the import capacity of its existing LNG import terminal on Elba Island, Georgia.[4] When Southern LNG planned its import terminal expansions, it gambled on long-term natural gas supply trends. Its bet did not pan out, as evidenced by the current application. Southern LNG submitted its application in the instant proceeding in a bid to salvage its prior investments.

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[4] *Southern LNG, Inc.*, 103 FERC ¶ 61,029 (2003); *Southern LNG, Inc.*, 120 FERC ¶ 61,258 (2007).

So far, 19 companies have applied to export domestic LNG from the contiguous United States to FTA or non-FTA Nations based on the promise of huge unconventional domestic gas reserves.[5] Many of those 19 applicants own or are affiliated with companies that own existing or previously planned LNG import terminals. The total export capacity applied for to date is 28.67 Bcf/d and 23.71 Bcf/d to FTA and non-FTA Nations, respectively.[6] Total marketed natural gas production was approximately 66 Bcf/d in the U.S. in 2011;[7] therefore, based on current marketed production, the total applied-for export capacity would have the effect of increasing the demand for natural gas by roughly 43%.

DOE/FE previously granted Southern LNG authority to export 0.5 Bcf/d of LNG to any nation that has, or develops, the capacity to import LNG and with which the United States has, or enters into, a Free Trade Agreement requiring national treatment for trade in natural gas ("FTA Nations").[8] The DOE/FE granted this authority pursuant to NGA section 3(c), which provides that applications to export shall be "deemed to be consistent with the public interest" and must be "granted without modification or delay."[9] Pursuant to this mandate, the DOE/FE did not have discretion to consider the serious policy implications of granting this export authority and stated that its order "should not be read to indicate DOE's views" regarding the policy arguments raised in Southern LNG's application.[10]

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5 Summary: Long-Term Applications Received by DOE/FE to Export Domestically Produced LNG from the Lower-48 States (as of Nov. 29, 2012), available at: http://fossil.energy.gov/programs/gasregulation/reports/summary_lng_applications.pdf.

6 *Id.*

7 EIA Export Report.

8 *Southern LNG Co., LLC*, FE Docket No. 12-54-LNG, DOE/FE Order No. 3106 (2012).

9 15 U.S.C. § 717b(c) (2012).

10 Order No. 3106 at 4.

Despite the earlier, automatic grant of export authority, the DOE/FE has a duty to ensure that the application before it in the instant proceeding for broader export authority is not inconsistent with the public interest pursuant to NGA section 3(a).[11] The "public interest analysis of export applications" should be "focused on *domestic* need for natural gas," threats to *domestic* supply, and "other factors to the extent they are shown to be relevant."[12] Relatively low and stable domestic natural gas prices make the United States attractive to manufacturers and make natural gas competitive against coal and fuel oil and viable as a transportation fuel.

APGA respectfully submits that Southern LNG's proposal to export domestic LNG to non-FTA Nations is inconsistent with the public interest because it will increase domestic natural gas and electricity prices to the detriment of all consumers, inhibit this Nation's ability to forge a path toward energy independence, and undermine sustained economic growth in key manufacturing sectors. Ultimately, exports by Southern LNG and others will bring about a new equilibrium between domestic and international natural gas prices, squandering the opportunity to take full advantage of lower domestic natural gas prices to boost the U.S. economy.

B. LNG Exports Will Increase Domestic Natural Gas Prices

Southern LNG commissioned Navigant Consulting, Inc. to conduct a market analysis study to gauge the effect of its planned exports on domestic natural gas prices.[13] According to the Navigant Study, exports by Southern LNG will increase domestic natural gas prices, and further exports by other companies will push prices incrementally higher. Navigant's conclusions mesh with those of other studies, including the two studies commissioned by the

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[11] 15 U.S.C. § 717b(a).

[12] *Sabine Pass Liquefaction, LLC*, Opinion and Order Denying Request for Review Under Section 3(c) of the Natural Gas Act, October 21, 2010, FE Docket No. 10-111-LNG.

[13] Application at Appendix A, *Southern LNG Export Project Market Analysis Study*, Navigant Consulting, Inc. (Aug. 27, 2012) ("Navigant Study").

DOE/FE, which concluded that the greater the volume of LNG exports, the more domestic natural gas prices will increase.

According to the EIA Export Report, "[l]arger export levels lead to larger domestic price increases."[14] EIA also concluded that "rapid increases in export levels lead to large initial price increases," but that slower increases in export levels will, "eventually produce higher average prices during the decade between 2025 and 2035."[15]

Even under the "low/slow" baseline scenario in the EIA Export Report, price impacts will peak at about 14%.[16] Under the low/rapid baseline scenario, EIA projects that wellhead prices will be approximately 18% higher in 2016 than they otherwise would be.[17] In fact, under all of the "low" scenarios accounting for different economic and shale reserve conditions, EIA predicts price impacts well above 10% that then moderate.[18] Under the "high/rapid scenario," EIA projects that prices will increase by 36% to 54% by 2018 depending on natural gas supplies and economic growth.

The NERA Study also concluded that the higher the volume of LNG exports, the more domestic natural gas prices will rise. All three studies underestimate potential price increases because they are based on outdated projections of domestic demand for natural gas and the questionable assumption that the demand for natural gas is sufficiently elastic to prevent significant price spikes.

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[14] *Id.* at 6. As requested by the DOE/FE, the EIA Export Report considered four scenarios: (1) 6 Bcf/d phased in at a rate of 1 Bcf/d per year (low/slow scenario); (2) 6 Bcf/d phased in at a rate of 3 Bcf/d per year (low/rapid scenario); (3) 12 Bcf/d phased in at a rate of 1 Bcf/d per year (high/slow scenario); and (4) 12 Bcf/d phased in at a rate of 3 Bcf/d per year (high/rapid scenario).

[15] *Id.*

[16] *Id.* at 8.

[17] *Id.*

[18] *Id.* at 9.

i. Domestic Demand Underestimated

On December 5, 2012, the EIA issued the Early Release of its Annual Energy Outlook for 2013 ("*AEO2013*"). The *AEO2013* projects greater increases in domestic demand for natural gas than projected in prior Annual Energy Outlooks. In particular, the *AEO2013* projects greater increases in demand for natural gas from domestic industry, particularly from the bulk chemicals and primary metals industries and as a result of "higher output in the manufacturing sector."[19] However, even *AEO2013* appears to underestimate the coming growth in natural gas use for manufacturing.[20]

AEO2013 also projects greater increases in future reliance on natural gas for electric generation than projected by the EIA in previous Annual Energy Outlooks. The increased reliance on natural gas for electric generation is premised in part on low natural gas prices, but also on implementation of the Environmental Protection Agency's pending Mercury Air Toxic Standards ("MATS"), which will force the retirement of a number of coal-fired generators.

Both studies commissioned by DOE/FE rely on projected natural gas demand from *AEO2011*. The Navigant Study meanwhile relied in part on data from *AEO2012* and the "high demand" scenario from *AEO2010* for its own analysis of a potential future where natural gas vehicles increase demand. These outdated projections fail to account for current EIA expectations regarding future demand and tend to overestimate demand elasticity, or the ability of natural gas consumers to curtail their purchases in response to higher prices in the electric generation sector. Once a coal plant is retired due to MATS, or for any other reason, the operator of the retired plant cannot switch it back on in response to higher natural gas costs.

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[19] *AEO2013* Early Release Overview at 2.

[20] *See* Steven Mufson, *The New Boom: Shale Gas Fueling an American Industrial Revival*, Washington Post (Nov. 14 (2012) (reporting that manufacturers have plans to invest as much as $80 billion in U.S. chemical, fertilizer, steel, aluminum, tire and plastics plants),

Meanwhile, the EPA's new greenhouse gas standards for new electric generators virtually ensure that new coal plants will not be constructed to replace those that are retired.[21] Electric generation companies will soon not only demand more gas but rely on it more heavily for base load production, altering expectations about demand elasticity that prognosticators have relied on when assuming that natural gas prices will not rise sharply due to LNG exports.[22] This same trend would also exacerbate the increases in the price of electricity caused by LNG exports that are projected by the EIA and NERA.

While demand elasticity will shrink in the electric sector, leading to sharper increases in natural gas and electricity prices than previously forecasted, manufacturers will continue to be "responsive" to increases in the price of natural gas - meaning that manufacturers will curtail production and hence consumption due to higher prices. DOE/FE needs to examine what this means for the economy and the broader public interest of the Nation in its consideration of this and other LNG export applications.

C. Effects of Higher Prices

Increases in the price of natural gas will impact U.S. consumers who can least afford the price increase, inhibit the expansion of domestic manufacturing, and forestall the further use of natural gas as a bridge fuel away from the carbon-intensive coal and foreign sourced oil for transportation. The NERA Study describes the effects of LNG exports and the attendant price increases in terms of a "wealth transfer." The DOE/FE must examine what this wealth transfer would entail for the public interest when evaluating LNG export applications.

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[21] "Standards of Performance for Greenhouse Gas Emissions for New Stationary Sources: Electric Utility Generating Units" 77 C.F.R. 22392 (Apr. 13, 2012).

[22] *See* Energy Information Administration, *Fuel Competition in Power Generation and Elasticities of Substitution* (June 2012) (general description of fuel switching and price elasticity among fuels in the power generation sector) available at http://www.eia.gov/analysis/studies/fuelelasticities/pdf/eia-fuelelasticities.pdf.

i. Hurt Economically Vulnerable Households

Proposed LNG exports would raise domestic natural gas prices, which will increase costs to households that rely on natural gas for heating and cooking. NERA projects that these higher costs will be offset by increases in the value of natural gas resources and related companies, which many Americans own through retirement savings and other investments. NERA admits, however, that "[h]ouseholds with income solely from wages or government transfers," will not share in the benefits of increased profits from natural gas.[23] Therefore, the increase in natural gas prices due to exports will impact those consumers without investments or retirement savings, those living paycheck-to-paycheck or relying on government assistance - in other words, the most needy in our society.

ii. Suppress Other Domestic Industries

Increased natural gas prices due to proposed LNG exports will raise natural gas and electric energy costs, which will depress both "real wages and return on capital in all other industries" besides the natural gas sector.[24] As the NERA study indicates:

> As the price of natural gas increases, the economy demands or produces fewer goods and services. This results in lower wages and capital income for consumers. Hence, under such economic conditions, consumers save less of their income for investment.

As a result, industries that rely on natural gas will experience "a reduction in overall output," mitigated by a "switch to fuels that are relatively cheaper."[25] NERA is not concerned by any level of future price increase caused by exports, because the "rents" obtained by LNG exporters from foreign customers and the increased profits enjoyed by natural gas producers will

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[23] NERA Study at 8.

[24] NERA Study at 7.

[25] NERA Study at 53.

make up for the resulting declines in real wages and economic output. NERA predicts very modest increases in gross domestic product ("GDP") as a result of LNG exports.[26]

When evaluating whether Southern LNG's export application is inconsistent with the public interest, the DOE/FE must ask not only "what will we gain from LNG exports," but also "what will be give up." For instance, the DOE/FE must look behind sterile statements that "[d]omestic industries for which natural gas is a significant component of their cost structure will experience increases in their cost of production, which will adversely impact their competitive position in a global market and harm U.S. consumers who purchase their goods," and ask "what does that mean for the public interest." A U.S. manufacturing renaissance that promises greater economic growth and job creation with positive effects rippling throughout the economy hangs in the balance. Right now, industry is poised to invest billions of dollars in new petrochemical plants, ethane crackers and other natural gas intensive facilities in the United States premised on the promise of low domestic natural gas prices. But energy intensive manufacturing is the most vulnerable sector of the economy to increases in natural gas and electricity costs.[27] Prior economic data demonstrate that when domestic energy prices increase, the country loses manufacturing jobs, particularly in the fertilizer, plastics, chemicals, and steel industries.[28]

Southern LNG's application cites the jobs its export plans may create, but does not consider those that will be lost or those that may never be created in the first place due to higher natural gas prices. For example, Sasol North America, Inc. is currently considering investing in the first gas to liquids plant in United States, an innovative technology for producing diesel and

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[26] NERA Study at 56.

[27] NERA Study at 67.

[28] U.S. House Committee on Natural Resources Democrats, *Drill Here, Sell There, Pay More: The Painful Price of Exporting Natural Gas* (March 2012) available at http://democrats.naturalresources.house.gov/reports/drill-here-sell-there-pay-more.

other liquid fuels without oil, and U.S. natural gas prices are a primary consideration regarding whether the investment will go forward.[29] Earlier this year, in his State of the Union Address, President Obama spoke of "an America that attracts a new generation of high-tech manufacturing and high-paying jobs - a future where we're in control of our own energy, and our security and prosperity aren't so tied to unstable parts of the world," and "an economy built on American manufacturing, American energy."[30] Low natural gas prices in the U.S. provide the path forward. Higher natural gas prices due to LNG exports, including those proposed by Southern LNG, threaten this nascent return to American manufacturing.

Rather than trading a few existing manufacturing jobs for a few natural gas and construction jobs, the DOE/FE should pursue policies that create new manufacturing jobs and broader economic growth in the U.S. Using natural gas for manufacturing provides a value-added benefit to the economy because industry multiplies the value of every dollar it expends on natural gas for energy or as a raw material. Rather than investing in natural gas exports, which squeeze out investments from other sectors of the economy, the U.S. should pursue policies that allow industry to invest in natural-gas dependent manufacturing. Energy and natural gas intensive manufacturing produces chemicals, metals, cement and other materials that may be low-value adding but create positive ripple effects up the value-chain and throughout the economy.[31] Rather than exporting natural gas as a raw natural resource, the U.S. could export

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[29] Clifford Kraus, *South African Company to Build U.S. Plant to Convert Gas to Liquids*, New York Times (Dec. 3, 2012) available at: http://www.nytimes.com/2012/12/04/business/energy-environment/sasol-plans-first-gas-to-liquids-plant-in-us.html?_r=0.

[30] President Barack Obama, State of the Union Address (Jan. 24, 2011), transcript available at: http://www.whitehouse.gov/state-of-the-union-2012.

[31] NERA claims that harms resulting from exports will "likely be confined to very narrow segments of industry," namely low value-added, energy intensive manufacturing. NERA Study at 67-69. NERA, however, ignores the benefits of producing materials in the U.S. that can then be used by other U.S. manufactures that are less energy intensive and higher up the value chain. For instance, if plastics are produced at competitive prices in the U.S.,

processed materials, such as steel, or higher value-added goods at more competitive prices, with greater benefits to the U.S. job market and GDP.

iii. Threaten Transition from Coal

Current low natural gas prices provide an opportunity to wean the U.S. off of carbon-intensive coal. Inflated natural gas prices due to LNG exports will decrease the viability of natural gas as a bridge-fuel to a lower carbon future. Current low prices make natural gas-fired electricity generation an economically sound alternative to coal-fired generation. Sustained low prices may encourage this transition by private initiative regardless of increased environmental regulations as investors find natural gas competitive with coal. If exports inflate natural gas prices, the economics turn against cleaner burning natural gas.[32] As Southern LNG acknowledges in its application, "the amount of growth will likely depend on commodity price competition" between natural gas and coal.[33]

In addition, as discussed above, new environmental regulations will soon force coal retirements. Future greenhouse gas regulation could cause additional retirements in the future. If natural gas prices remain low, the U.S. may be able to transition away from carbon intensive coal without causing electricity prices to increase significantly. If natural gas prices are high, however, electricity prices will spike as relatively cheap coal-fired generators are forced to retire for regulatory reasons. Spiking electricity rates will have rippling effects on the U.S. economy, especially energy intensive, cost-sensitive manufacturing.

iv. Keep the U.S. Dependent on Foreign Oil

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toy manufacturers may find it economical to "re-shore" toy manufacturing plants. Steven Mufson, *The New Boom: Shale Gas Fueling an American Industrial Revival*, Washington Post (Nov. 14, 2012).

32 EIA Export Report at 17.

33 Application at 20.

Currently, the U.S. imports billions of dollars worth of oil from around the globe, a great deal of which is used for gasoline to fuel vehicles. The replacement of current gasoline-powered fleets with natural gas vehicles would significantly reduce U.S. dependence on foreign oil, and thereby enhance U.S. security and strategic interests and reduce our trade deficit.[34] State governments and businesses are expending substantial resources today to put the needed infrastructure in place.[35] Automobiles are not the only modes of transportation that businesses are interested in transitioning to natural gas; a company in Canada is investing in commercial locomotives powered by LNG and teaming up with Caterpillar to employ similar technology in heavy duty equipment that currently runs on diesel.[36] If the DOE/FE approves Southern LNG's export application along with others, the resulting increase in natural gas prices would undermine recent investments to expand natural gas as a transportation fuel.

Low natural gas prices make efforts to resuscitate American manufacturing and to transition away from coal and foreign oil economically viable. LNG exports will drive up domestic natural gas prices, thereby undermining these national priorities. The DOE/FE should not pursue an export policy that undermines the efficient, domestic use of a domestic fuel stock

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[34] Southern LNG claims that its proposed exports will benefit the U.S. balance of trade, but it does not consider the benefits to the trade balance of cutting oil imports and exporting value-added goods manufactured in the U.S. with affordable natural gas.

[35] Officials are planning a series of compressed natural gas ("CNG") filling pumps at existing filling stations across the Pennsylvania US Route 6, stretching 400 miles from New York State near Milford, Pike County, Pa. in the east and through Crawford County, Pa. to the Ohio state line on the west, known as "PA Route 6 CNG Corridor;" at the same time, Chesapeake Energy is converting its vehicles in northeastern Pennsylvania to CNG and working with a local convenience-store chain and transit authority to foster further CNG integration. Eric Hrin, *Pennsylvania Looks to CNG*, The Daily Review Online (May 26, 2011) available at http://thedailyreview.com/news/pennsylvania-looks-to-cng-1.1135267; *see also*, Texas S.B. 20 (On July 15, 2011, the governor of Texas signed S.B. 20, supporting a network of natural gas-refueling stations along the Texas Triangle between Dallas/Ft. Worth, San Antonio, and Houston. The new legislation will lay a foundation for wider-scale deployment of heavy-duty, mid- and light-duty natural gas vehicles ("NGVs") in the Texas market).

[36] Rodney White, *Firm on Track to Build LNG-Fueled Locomotive*, Platts Gas Daily (Nov. 28, 2012).

and America's first and best opportunity to move toward energy independence by decreasing reliance on foreign oil.

D. U.S. and Foreign Natural Gas Prices Will Converge

Southern LNG's export plans likely will prove uneconomical. Currently, there are significant disparities between domestic natural gas commodity prices and prices in some nations that rely on LNG imports. These disparities provide Southern LNG and other would-be exporters with appealing arbitrage opportunities in the short-term, but they will not last. Gas rich shale deposits are a global phenomenon that is just now beginning to be tapped. Also, despite relatively low domestic natural gas prices, certain countries, such as Qatar, can produce massive quantities of natural gas at even lower prices. As other nations develop their resources and export capacity and as U.S. natural gas prices increase due to the very exports Southern LNG proposes, international and domestic prices will converge, leaving the U.S. with the worst of all worlds, i.e., higher domestic prices that thwart energy independence and that undermine the competitiveness of the manufacturing sector that relies heavily on natural gas as a process fuel.

Shale gas formations are not isolated to the United States – this is not a U.S. phenomenon; it is a world-wide phenomenon.[37] The State Department launched the Global Shale Gas Initiative ("GSGI") in April 2010 in order to help countries identify and develop their

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[37] *E.g.*, Dallas Parker, *Shale Gas: Global Game Changer*, Oil and Gas Financial Journal (Feb. 8, 2011); Vello A. Kuuskra and Scott A. Stevens, *Worldwide Gas Shales and Unconventional Gas: A Status Report*, ("The final segment of this 'paradigm shift' - - the worldwide pursuit of gas shales and unconventional gas - - has only just begun, with Australia, China and Europe in the lead. Europe's gas shale geology is challenging, but its resource endowment and potential are large.") available at: http://www.rpsea.org/attachments/articles/239/KuuskraaHandoutPaperExpandedPresentWorldwideGasShalesPresentation.pdf. Debajyoti Chakraborty, *Asia's First Shale Gas Pool Found Near Durgapur*, Times of India Online, (January 26, 2011); Hillary Heuler, *Shale Gas in Poland Sparks Hope of Wealth, Energy Security*, Voice of America Online (June 11, 2011) (Reporting on efforts by U.S. and other western gas companies to develop gas from shale deposits); Mark Summor, *The Shale Gas Run Spreads Worldwide*, IPS, Deccan Herald (Aug. 1, 2011)("Recent discoveries of deeply buried oil shale layers containing natural gas or oil are being reported in Australia, Canada, Venezuela, Russia, Ukraine, Poland, France, India, China, North Africa and the Middle East. Taken together, say some energy analysts, these 'plays' could become a game-changer, making Australia and Canada into new Saudi Arabias").

unconventional natural gas resources.[38] To date, partnerships under GSGI have been announced with China, Jordan, India, and Poland.[39] The big energy players, including ExxonMobil, Chevron, Shell, BP, etc. are spending billions of dollars world-wide to pursue shale gas plays, a development that could eventually make producers out of potential customers for U.S. LNG.[40] For instance, the United Kingdom, sometimes cited as a potential customer for U.S. LNG, recently approved hydraulic fracturing to explore its own shale formations.[41]

The United States is at the forefront technologically of the development of shale gas reserves. A recent study by MIT concludes that the U.S. should export its technology and expertise.[42] According to MIT, the development of international non-conventional natural gas reserves will create a more liquid market with less disparity between prices around the globe.[43] The U.S. should follow this strategy, instead of spending billions of dollars to build facilities in order to export a commodity that will possibly be abundant world-wide before the LNG export facilities can even be completed.

The U.S. is not alone in developing LNG export capacity; investors in Australia hope to overtake Qatar as the world's largest exporter of LNG.[44] Qatar meanwhile has a moratorium on

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38 *See* http://www.state.gov/s/ciea/gsgi/.

39 *Id. see also*, Rakteem Katakey, *India Signs Accord with US to Assess Shale-Gas Reserves*, Bloomberg News (November 8, 2010) (The US signed a memorandum of understanding with India to help it asses its shale gas reserves and prepare for its first shale gas auction at the end of this year.); Kate Andersen Brower and Catherine Dodge, *Obama Says US, Poland Will Cooperate on Economy, Energy*, Bloomberg News (May 28, 2011).

(Reporting on President Obama's pledge to share U.S. shale gas extraction expertise and technology on a recent trip to Warsaw); *see also*, *Energy in Poland: Fracking Heaven*, The Economist (June 23, 2011).

40 Ken Silverstein, *Big Oil Betting on Shale Gas,* EnergyBiz (July 31, 2011).

41 Stanley Reed, *Britain Approves Fracking for Shale Gas Exploration*, New York Times (Dec. 13, 2012).

42 MIT Energy Initiative, *The Future of Natural Gas*, at 14 (2011).

43 *Id.*

44 Ross Kelly, *Strong Australian dollar to help build cheap LNG export terminals, says Origin Energy CEO*, The Australian (April 28, 2011) available at http://www.theaustralian.com.au/business/mining-energy/strong-australian-dollar-to-help-build-cheap-lng-export-terminals-says-origin-energy-ceo/story-e6frg9ef-1226046219296.

further developing its vast reserves of natural gas; natural gas is largely a by-product of liquids production in Qatar and sells for far less than even today's U.S. prices.[45] According to the NERA Study, U.S. LNG exports are vulnerable to increases in natural gas production and export capacity from Qatar, which could singlehandedly reduce foreign natural gas prices enough to make U.S. exports uncompetitive.[46]

Southern LNG knows there are limits on the profitability of exporting LNG. The Navigant Study estimates that the United States and Canada can only export a combined 7 or so Bcf/d before the economics turn against exports, and this projection tends to conform to the limits in export profitability found in the NERA Study. If the DOE/FE approves anywhere close to the 23.71 Bcf/d in pending export applications to Non-FTA Nations, it will set off an export boom that will likely result shortly thereafter in a bust. Southern LNG is willing to gamble that its proposed export facility will be one of the winners among dozens of similar projects in the U.S., but the DOE/FE should hesitate before approving an export plan that will drive up domestic natural gas prices, then likely fail to remain profitable.

Far more troubling than the prospect of international developments possibly lowering natural gas prices in importing countries or a boom and bust cycle in the development of LNG export facilities, is that fact that as the U.S. exports LNG, those exports will raise domestic prices as they lower foreign prices, bringing international prices to a new equilibrium. NERA acknowledges that domestic and international natural gas prices will tend to converge toward a global LNG price, just as they have for global oil prices,[47] but the NERA Study assumes that

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[45] *Evaluating the Prospects for Increased Exports of Liquefied Natural Gas from the United States*, Brookings Institution, at 23 (January 2012) ("Brookings Report").

[46] NERA Study at 34.

[47] NERA Study at 111.

Henry Hub prices will always remain lower than prices in consuming nations.[48] It is unclear, however, how domestic prices will avoid total convergence and remain lower than international prices without DOE imposed limits on exports. Without a DOE imposed limit, domestic and foreign natural gas commodity prices will converge, squandering the current opportunity to foster renewed U.S. manufacturing through competitive natural gas, energy, and processed materials costs.

The U.S. has an opportunity not even imagined 2 or 3 years ago to significantly expand its manufacturing sector, transition away from our reliance on coal-fired electricity generation (without risking price shocks), and finally make real progress towards energy independence. All of this, however, depends on relatively low and stable natural gas prices (which sharply contrasts with the history of natural gas price volatility). DOE/FE should not turn a blind eye and allow the same businesses that gambled and lost on projections of the need for future natural gas imports to now potentially squander our Nation's future on what may well turn out to be another failed venture as natural gas production and export capacity develop throughout the world.

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[48] NERA Study at 12.

IV. CONCLUSION

WHEREFORE, based on the foregoing, APGA respectfully requests that the DOE/FE (1) grant its motion to intervene in this proceeding with all rights appurtenant to that status, and (2) deny, as inconsistent with the public interest, Southern LNG's application for export authority to non-FTA Nations.

Respectfully submitted,

AMERICAN PUBLIC GAS ASSOCIATION

By William T. Miller

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Washington, DC 20005

Its Attorneys

December 17, 2012

UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

Southern LNG Company, LLC	)	FE Docket No. 12-100-LNG

VERIFICATION

WASHINGTON	§
	§
DISTRICT OF COLUMBIA	§

Pursuant to 10 C.F.R. § 590.103(b) (2012), William T. Miller, being duly sworn, affirms that he is authorized to execute this verification, that he has read the foregoing document, and that all facts stated herein are true and correct to the best of his knowledge, information, and belief.

William T. Miller

William T. Miller
Miller, Balis & O'Neil, P.C.
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Fax: (202) 296-0166
Email: wtmiller@mbolaw.com

Subscribed and sworn to before me this 17th day of December, 2012.

Leslie K. Nelson-Walski
Notary Public
My Commission Expires:

LESLIE K. NELSON-WALSKI
Notary Public, District of Columbia
My Commission Expires May 31, 2015

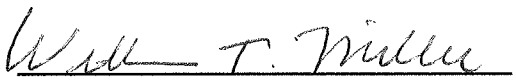
UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

Southern LNG Company, LLC	)	FE Docket No. 12-100-LNG

CERTIFIED STATEMENT OF AUTHORIZED REPRESENTATIVE

Pursuant to 10 C.F.R. § 590.103(b) (2012), I, William T. Miller, hereby certify that I am a duly authorized representative of the American Public Gas Association, and that I am authorized to sign and file with the Department of Energy, Office of Fossil Energy, on behalf of the American Public Gas Association, the foregoing document and in the above-captioned proceeding.

Dated at Washington, D.C., this 17th day of December, 2012.



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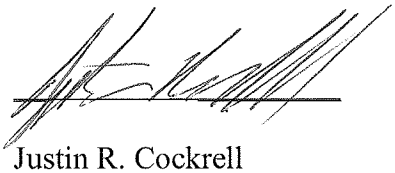
CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon on the applicant and on DOE/FE for inclusion in the FE docket in the proceeding in accordance with 10 C.F.R. § 590.107(b) (2012).

Dated at Washington, D.C., this 17th day of December, 2012.

By: 

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