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

Jordan Cove Energy Project, LP

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FE Docket No. 12-32-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

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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 March 23, 2012, Jordan Cove Energy Project, L.P. (“Jordan Cove”) filed an application in FE Docket No. 12-32-LNG seeking long-term, multi-contract authorization to export approximately 0.9 billion cubic feet per day (“Bcf/d”) of domestic natural gas as liquefied natural gas (“LNG”) by vessel (“Application”). Jordan Cove seeks authorization to export LNG from a yet to be developed LNG export terminal on the North Spit of Coos Bay in Coos County, Oregon 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

Jordan Cove's request for authority to export domestic² LNG to non-FTA Nations is inconsistent with the public interest and should be denied. Earlier this year, the U.S. Energy Information Administration ("EIA") released a report on the effect of LNG exports in response to a U.S. Department of Energy Office of Fossil Energy ("DOE/FE") inquiry.³ The EIA Export Report concludes that exporting domestic LNG will significantly increase domestic natural gas prices. In addition, EIA recently issued the full version of its Annual Energy Outlook 2012 ("AEO2012"), which reduces the level of estimated technically recoverable natural gas in the United States. These new assessments undermine the basis for Jordan Cove's application, which is premised on the assumption that vast recoverable reserves will keep domestic gas prices low despite LNG exports.

Instead, it appears likely that exports will lead to potentially significant price increases that will 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. Inflated natural gas prices will also inhibit efforts to foster natural gas as a transportation fuel, which is important to wean the U.S. from its historic, dangerous dependence on foreign oil. Furthermore, high natural gas prices and resulting increases in the price of electricity will reverse the nascent trend toward renewed domestic manufacturing before it gains momentum.

Eventually, Jordan Cove's plan to export LNG will not prove economically viable. Economically recoverable domestic natural gas may prove even less robust than the revised

² Although a portion of the natural gas exported by Jordan Cove may be produced in Canada, it will be commingled with U.S. produced natural gas at the Malin hub on the Oregon-California border, and Jordan Cove's exports will increase prices at the Malin hub. Therefore, Jordan Cove's application should be considered a request for authority to export domestic natural gas.

³ *Effect of Increased Natural Gas Exports on Domestic Energy Markets*, U.S. Energy Information Administration (January 2012) ("EIA Export Report").

projections, especially given looming environmental costs and regulations. Foreign alternatives will one day remove the price arbitrage opportunity that Jordan Cove seeks to take advantage of, as natural gas reserves 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, including Jordan Cove. In 2009, Jordan Cove received authorization from the Federal Energy Regulatory Commission to construct and operate an LNG terminal as an import facility in the same location as its proposed export facility in Coos County, Oregon.⁴ When Jordan Cove planned its import terminal, it gambled on long-term natural gas supply trends. Its bet did not pan out, as evidenced by the current application. Jordan Cove submitted its application in the instant proceeding in a bid to salvage its recent investments.

So far, fourteen companies have applied to export domestic LNG from the contiguous United States to FTA and Non-FTA nations based on the promise of huge unconventional domestic gas reserves.⁵ Most of those fourteen 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 18.70 Bcf/d and 14.61 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 result in

⁴ *Pacific Connector Gas Pipeline, LP; Jordan Cove Energy Project, L.P.*, 129 FERC ¶ 61,234 (2009).

⁵ Summary: Long-Term Applications Received by DOE/FE to Export Domestically Produced LNG from the Lower-48 States (as of July 16, 2012), available at http://fossil.energy.gov/programs/gasregulation/Long_Term_LNG_Export_Concise_07-16-12.2.pdf

⁶ *Id.*

⁷ EIA Export Report at 1.

roughly 27% of current marketed production leaving the country. The combined volume of requested export authority is substantial by any measure.

DOE/FE previously granted Jordan Cove authority to export 1.2 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 Jordan Cove’s application.¹⁰

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 APGA respectfully submits that Jordan Cove’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 and will limit natural gas supply at a time when the nation has an opportunity to forge a path toward energy independence. Ultimately, exports by Jordan Cove will fail to compete with natural gas exports by other nations.

⁸ *Jordan Cove Energy Project, L.P.*, FE Docket No. 11-127-LNG, DOE/FE Order No. 3041.

⁹ 15 U.S.C. § 717b(c) (2012).

¹⁰ Order No. 3041 at 11.

¹¹ 15 U.S.C. § 717b(a) (2012).

B. Exports Will Increase Domestic Natural Gas Prices

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 natural gas competitive against coal and fuel oil and viable as a transportation fuel. The DOE/FE should not pursue policies that directly increase natural gas commodity prices for American consumers, thereby making natural gas less competitive in this country as a replacement for foreign-sourced fuels or for fuels that are less clean and more carbon-intensive.

i. Jordan Cove’s Application Does Not Accurately Forecast the Impact of Exports on Domestic Prices

Jordan Cove commissioned a study by Navigant Consulting, Inc. to gauge the impact of its planned exports on domestic natural gas prices.¹³ The Navigant Study analyzed four scenarios. First, Navigant considered a “Reference Case,” which accounts for the two approved export terminals in the contiguous United States and Canada with 2.0 Bcf/d in exports from the Sabine Pass export terminal in Louisiana and 0.7 Bcf/d in exports from the Kitimat export terminal in British Columbia. Second the Navigant Study considered the effect of 0.9 Bcf/d of incremental exports from the Jordan Cove facility in addition to the exports considered in the Reference Case. Third, the Navigant Study considered an “Aggregate Export Case,” which assumes 2.0 Bcf/d in additional exports from the Gulf Coast and 1 Bcf/d in exports from the Atlantic Coast. The total volume of exports considered in the Aggregate Export Case comes to 6.6 Bcf/d for North America. Fourth, the Navigant Study considered a “GHG Demand Case,”

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, *Jordan Cove Energy Project, L.P.*, Navigant Consulting, Inc. (Jan. 2012)(“Navigant Study”).

which factors in additional natural gas demand due to coal-to-gas substitutions among electric generators on top of 6.6 Bcf/d in exports.

The Navigant Study failed to consider the cumulative impact of actual proposed exports.¹⁴ The total amount of export authority requested from the United States is far more significant than the 6.6 Bcf/d relied upon by Navigant in its Aggregate Export Case for both the U.S. and Canada. As indicated above, the total export capacity applied for to date from the contiguous United States is 18.70 Bcf/d and 14.61 Bcf/d to FTA and Non-FTA nations, respectively.¹⁵ In addition, Navigant factored in the proposed Kitimat LNG export facility but failed to include two other proposed export facilities in British Columbia and a proposed expansion at the Kitimat export facility.¹⁶ In this instance, the proposed Canadian facilities are particularly relevant because they would also export gas from Western Canada to Asian markets via the Pacific. The Navigant Study cannot be used to accurately gauge the impact of exports on domestic natural gas prices because it fails to account for the full scope of planned exports from the United States or from Canada.

The Navigant Study submitted in the instant docket also failed to consider the possibility of a second LNG terminal on the Oregon Coast, even though LNG Development Company LLC (d/b/a Oregon LNG) hired Navigant to do a similar price study for its proposed exports from a terminal near Astoria, Oregon in FE Docket No. 12-77-LNG. In addition, the Navigant Study

¹⁴ See *Sabine Pass Liquefaction, LLC*, FE Docket No. 10-111-LNG, Order No. 2961 at 33.

¹⁵ Summary: Long-Term Applications Received by DOE/FE to Export Domestically Produced LNG from the Lower-48 States (as of July 16, 2012).

¹⁶ *Evaluating the Prospects for Increased Exports of Liquefied Natural Gas from the United States*, Brookings Institution, at 2 (January 2012) (“Brookings Report”) (“According to FERC, there are currently three Canadian export facilities under consideration in British Columbia: a proposed 1.4 bcf/day terminal at Kitimat (initial production would start at 0.7 bcf/day), which received a 20-year export license in October 2011; a proposed 0.25 bcf/day facility at Douglas Island; and a potential 1 bcf/day facility at Prince Rupert Island”).

also failed to consider the full 1.2 Bcf/d in export authority to FTA-Nations that Jordan Cove applied for and received in Order No. 3041.

The Navigant Study also premised its price projections on ample volumes of technically recoverable natural gas, before the EIA reduced its estimate of unproved technically recoverable gas in *AEO2012*. EIA now estimates that the “unproved technically recoverable resource (TRR) of shale gas for the United States is 482 trillion cubic feet.”¹⁷ This number is “*substantially* below the estimate of 827 trillion cubic feet in *AEO2011*.”¹⁸ This reduction “largely reflects a decrease in the estimate for the Marcellus Shale, from 410 trillion cubic feet to 141 trillion cubic feet,” a reduction of over 65%.¹⁹ EIA revised its Marcellus Shale estimates due to a U.S. Geological Survey (“USGS”) report that concluded that there is only 84 trillion cubic feet of “undiscovered, technically recoverable natural gas” in the Marcellus Shale formation,²⁰ and due to improved data from producers as drilling has expanded in the Marcellus area.²¹ Jordan Cove’s application casts doubt on the EIA’s reduced shale gas TRR and suggested that the EIA would increase its projection in the full version of the *AEO2012*.²² The EIA, however, stuck with its reduced projection in the full version of the *AEO2012* published in June 2012.²³

Even though Navigant ignored the true volume of pending exports and relied on outdated and inflated estimates of technically recoverable natural gas, the Navigant Study still found that prices at the Malin hub will be 26% higher under the GHG Demand Case than the Reference

¹⁷ EIA, Annual Energy Outlook 2012 Early Release at 9 (Jan. 2012) (“Early Release *AEO2012*”).

¹⁸ *Id.* (emphasis added).

¹⁹ *Id.*

²⁰ *Assessment of Undiscovered Oil and Gas Resources of the Devonian Marcellus Shale of the Appalachian Basin Province*, United States Geological Survey (Aug. 23, 2011).

²¹ Early Release *AEO2012* at 9.

²² Application at 11, fn. 18.

²³ *AEO2012* at 57.

Case in the year 2025, 25% higher in the year 2035, and 28% higher in the year 2045. The GHG Demand Case is the most realistic scenario considered by Navigant. The projected switch from coal-fired electric generation to natural gas is already occurring. The DOE/FE must consider these trends when determining the domestic need for the natural gas that Jordan Cove plans to export.

Jordan Cove admits that its exports will increase domestic natural gas prices, but denies that the increases will be significant. The DOE/FE must take a harder look at these claims given the recently revised estimates by EIA and USGS. DOE/FE's previous decision in the *Sabine Pass Liquefaction, LLC* proceeding, Docket No. 10-111-LNG, accepted the applicant's projections regarding natural gas supplies and the impact of exports without conducting an independent analysis. That will no longer suffice in light of the most recent EIA studies. Specifically, DOE/FE must consider the EIA Export Report, which presumably it requested due to a lack of thorough and independent price impact data in pending LNG export proceedings.

ii. EIA Export Report

As requested by the DOE/FE, EIA analyzed four scenarios of export-related increases in natural gas demand:

- 6 Bcf/d phased in at a rate of 1 Bcf/d per year (low/slow scenario),
- 6 Bcf/d phased in at a rate of 3 Bcf/d per year (low/rapid scenario),
- 12 Bcf/d phased in at a rate of 1 Bcf/d per year (high/slow scenario), and
- 12 Bcf/d phased in at a rate of 3 Bcf/d per year (high/rapid scenario).²⁴

²⁴ EIA Export Report at 1.

In addition, DOE/FE requested that EIA consider the four scenarios of increased natural gas exports in the context of four cases from the EIA's then current *AEO2011* that reflect projected domestic natural gas supply situations and growth rates for the U.S. economy:

- the *AEO2011* Reference case,
- the High Shale Estimated Ultimate Recovery (“EUR”) case (reflecting more optimistic assumptions about domestic natural gas supply prospects, with the EUR per shale gas well for new, undrilled wells assumed to be 50 percent higher than in the Reference case),
- the Low Shale EUR case (reflecting less optimistic assumptions about domestic natural gas supply prospects, with the EUR per shale gas well for new, undrilled wells assumed to be 50 percent lower than in the Reference case), and
- the High Economic Growth case (assuming the U.S. gross domestic product will grow at an average annual rate of 3.2 percent from 2009 to 2035, compared to 2.7 percent in the Reference case, which increases domestic energy demand).²⁵

In contrast, the Navigant Study considers only one volume of future aggregate exports, 6.6 Bcf/d, from both the United States and Canada, which is near EIA's “low” export scenario from just the United States. In addition, the Navigant Study simply plugs this 6.6 Bcf/d volume in as the export capacity through 2045 without analyzing the potential effect of divergent growth rates in export capacity or an expansion of export capacity over that time period. In the Navigant Study, there is no accounting for the slow or rapid development of export capabilities. Even more deficiently, the Navigant Study fails to sufficiently consider the potential effects of different gas reserve scenarios or economic growth trends. Even the High Shale EUR scenario “was appreciably lower” than the inflated projected production levels relied on by Navigant.²⁶

²⁵ *Id.*

²⁶ Application at 17.

Under every scenario, EIA forecasts that exports will increase domestic natural gas prices. According to EIA, “[l]arger export levels lead to larger domestic price increases.”²⁷ 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.”²⁸

Even under the “low/slow” baseline scenario, EIA projects that wellhead price impacts will peak at about 14% in 2022 before moderating to just under 10% around 2026.²⁹ Under the low/rapid baseline scenario EIA projects that wellhead prices will be approximately 18% higher in 2016 than they otherwise would be, but that impact will also moderate to just under 10% by 2026.³⁰ 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.³¹

EIA projects that prices will increase by 36% to 54% by 2018 under the “high/rapid scenario,” depending on natural gas supplies and economic growth. Given the number of export applications that DOE/FE has received to date and the total export capacity requested of 14 Bcf/d and 13.71 Bcf/d to FTA and Non-FTA nations, respectively, it appears that “high/rapid” was the most realistic scenario considered by EIA.

In addition, it may be that the Low Shale EUR case reflecting less optimistic assumptions about domestic natural gas supply prospects than the *AEO2011* Reference Case may be the more accurate scenario considered in the EIA Export Report, given the reduction in technically recoverable gas per the *AEO2012* overview report. Under the high/rapid scenario in the Low

²⁷ EIA Export Report at 6.

²⁸ *Id.*

²⁹ *Id.* at 8.

³⁰ *Id.*

³¹ *Id.* at 9.

Shale EUR case, EIA projects that exports could increase natural gas prices by 54% in 2018.³²

Even under the slow/low scenario in the Low Shale EUR case, EIA projects that exports will increase domestic wellhead prices by 20% in 2020.³³

Even these projections may not accurately predict the full scope of price increases resulting from unchecked LNG exports because the EIA Export Report very conservatively assumes that domestic prices will only be affected by domestic supply/demand factors but will not be affected by prices in the global market. The EIA Export Report also fails to consider several factors that may further limit economically recoverable domestic gas supplies and increase domestic natural gas demand in the near future, such as increased regulation of hydraulic fracturing and pending coal plant retirements.

iii. Effect of High Prices

Currently, relatively low natural gas prices give the U.S. an opportunity to wean itself off of carbon-intensive coal and expensive foreign oil, to attract renewed domestic manufacturing, and to stimulate displacement of gasoline by CNG-fueled vehicles. Increased prices due to exports jeopardize each of these prospects and ultimately our national security and national wellbeing. Estimates of domestic natural gas resources are still markedly higher than just a few years ago, but given revised supply projections, U.S. policy makers cannot take current low prices for granted.

Inflated prices will decrease the viability of natural gas as a bridge-fuel from carbon-intensive coal. 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

³² *Id.*

³³ *Id.*

competitive with coal. If exports inflate natural gas prices, the economics turn against cleaner burning natural gas.³⁴

In addition, pending environmental regulations will soon force coal retirements, and further greenhouse gas regulation may 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.

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 (and support infrastructure) would significantly reduce U.S. dependence on foreign oil, and thereby enhance U.S. security and strategic interests and reduce our trade deficit. Substantial resources are being expended today to put that infrastructure in place.³⁵

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

³⁴ EIA Export Report at 17.

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).

energy.”³⁶ Low natural gas prices in the U.S. provide the path forward. Lower energy prices are spurring a nascent return to American manufacturing. Jordan Cove’s application cites the jobs its export plans may create.³⁷ Jordan Cove does not acknowledge, however, the many jobs in other sectors of our economy that may be destroyed if the DOE/FE sanctions further natural gas exports and predicted increases in natural gas prices occur along with increased price volatility.³⁸ Economic data demonstrate that when domestic energy prices increase, the country loses manufacturing jobs, particularly in the fertilizer, plastics, chemicals, and steel industries.³⁹

Low natural gas prices make efforts to transition away from coal and foreign oil and to resuscitate American manufacturing economically viable. LNG exports will drive up domestic natural gas prices, as the EIA has determined, thereby undermining these national priorities. The DOE should not pursue an export policy that undermines the efficient, local use of a domestic fuel stock and America’s first and best opportunity to move toward energy independence by decreasing reliance on foreign oil.

C. Jordan Cove’s Exports Will Not Prove Economical

Jordan Cove’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 Jordan Cove and other would-be exporters

³⁶ President Barack Obama, State of the Union Address (Jan. 24, 2011), transcript available at: <http://www.whitehouse.gov/state-of-the-union-2012>.

³⁷ Application at 24.

³⁸ *Evaluating the Prospects for Increased Exports of Liquefied Natural Gas from the United States*, Brookings Institution, at 18 (January 2012) (“Brookings Report”)(“The industrial sector is highly price-sensitive with respect to energy inputs.”); Leticia Vasquez, *Methanol Resurgence Seen Lifting Gas Demand*, Gas Daily (Aug. 1, 2012) (reporting that the resurgence in domestic methanol production from natural gas “hinge[s] partly on whether liquefied natural gas projects move forward” because competitive methanol production requires gas prices below \$5 per MMBtu.).

³⁹ 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>

with appealing arbitrage opportunities in the short-term, but they may not last. Gas rich shale deposits are a global phenomenon that are just now beginning to be tapped. As other nations develop their resources and export capacity and as U.S. natural gas prices increase due to the very exports Jordan Cove 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.⁴⁰ The State Department launched the Global Shale Gas Initiative (“GSGI”) in April 2010 in order to help countries identify and develop their unconventional natural gas resources.⁴¹ To date, partnerships under GSGI have been announced

⁴⁰ 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/KuuskaaHandoutPaperExpandedPresentWorldwideGasShalesPresentation.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”).

⁴¹ See <http://www.state.gov/s/cica/gsgi/>.

with China, Jordan, India, and Poland.⁴² The big energy players, including ExxonMobil, Chevron, Shell, BP, etc. are spending billions of dollars world-wide to pursue shale gas plays.⁴³

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.⁴⁴ 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.⁴⁵

The U.S. should follow this strategy, instead of spending billions of dollars to build facilities in order to export a commodity that will likely be abundant world-wide before the LNG export facilities can even be completed.

In particular, Jordan Cove will have to compete with export facilities on Canada's Pacific Coast that will export directly from British Columbia without the added cost of shipping Canadian gas to the Malin hub on the Oregon-California border and on to Jordan Cove via the proposed Pacific Connector Gas Pipeline.⁴⁶ Even at today's low domestic prices, Canadian produced gas in Canada is still cheaper than U.S. gas. Natural gas at Sumas on the Washington State-British Columbia border is cheaper than gas at the Malin hub on the Oregon-California border.⁴⁷ In addition, natural gas sourced in the U.S. Rockies is more expensive than gas sourced

⁴² *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 assess 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).

⁴³ Ken Silverstein, *Big Oil Betting on Shale Gas*, EnergyBiz (July 31, 2011).

⁴⁴ MIT Energy Initiative, *The Future of Natural Gas*, at 14 (2011).

⁴⁵ *Id.*

⁴⁶ *See* Application at 4.

⁴⁷ *See, e.g.*, Platts, *Gas Daily Price Guide*, at 2 (July 2012) (reporting June 2012 Midpoint Averages of \$2.160 at Sumas and 2.275 at Malin, respectively).

in Canada.⁴⁸ Whether Jordan Cove exports Canadian sourced natural gas or natural gas produced in the Western United States, it will find itself at a disadvantage compared to Canadian exporters in British Columbia.

Canada and the U.S. are not alone in developing LNG export capacity; investors in Australia hope to overtake Qatar as the world's largest exporter of LNG.⁴⁹ Qatar meanwhile has a moratorium on 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.⁵⁰

LNG itself is at a disadvantage compared to pipelines due to higher fixed costs. For example, Jordan Cove estimates it will incur direct construction costs of \$4.494 billion for its proposed terminal and related pipeline facilities, not including real estate payments.⁵¹ The cost of liquefaction, transportation and regasification processes and facilities must be acknowledged when considering the economic wisdom of LNG projects. The Brookings Institution estimates that current price spreads between the U.S. and potential export markets must remain intact for at least 10-12 years in order for investors to recoup the pre-planning and facility construction costs associated with an LNG terminal.⁵² Beyond that, domestic prices must still be low enough to overcome foreign competition and the higher fixed cost of liquefaction, transport by vessel and regasification.

The EIA has reduced the projected technically recoverable resources of domestic natural and independently concluded that LNG exports will increase domestic prices substantially.

⁴⁸ *Id.*

⁴⁹ 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>.

⁵⁰ Brookings Report at 23.

⁵¹ Application at 20.

⁵² Brookings Report at 29.

Despite this sobering news, the U.S. may still have an opportunity to 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. 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 will likely turn out to be another failed venture as natural gas production and export capacity develop throughout the world.

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, Jordan Cove's application for export authority to non-FTA Nations.

Respectfully submitted,

AMERICAN PUBLIC GAS ASSOCIATION

By William T. Miller

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Justin R. Cockrell
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Washington, DC 20005

Its Attorneys

August 6, 2012

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

Jordan Cove Energy Project, LP

)
)
)

FE Docket No. 12-32-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

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Email: wtmiller@mbolaw.com

Subscribed and sworn to before me this 6th day of August, 2012.

Leslie K. Nelson-Walski
Notary Public

Notary Public

My Commission Expires:

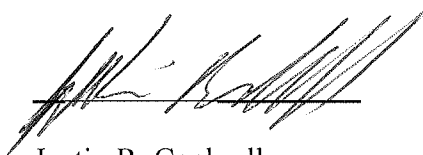
LESIE K. NELSON-WALSKI
Notary Public, District of Columbia
My Commission Expires May 31, 2015

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 6th day of August, 2012.

By:



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