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General Comment

See attached file(s)

Attachments

Western Energy Alliance LNG Export Study comments

Via e-mail: LNGStudy@hq.doe.gov

January 24, 2013

John A. Anderson
U.S. Department of Energy
Office of Natural Gas Regulatory Activities, Office of Fossil Energy
P.O. Box 44375
Washington, DC 20026-4375

Re: Comments on the 2012 Liquefied Natural Gas Export Cumulative Impact Study

Dear Mr. Anderson:

Western Energy Alliance submits the following comments regarding the Department of Energy's (DOE) 2012 Liquefied Natural Gas Export Cumulative Impact Study (LNG Export Study), conducted by the Energy Information Administration (EIA) and NERA Economic Consulting. We appreciate the opportunity to comment on this important issue, which holds the promise of increased jobs, GDP, and economic prosperity for the United States. In general, we agree with the report findings that the US economy would benefit from LNG exports, and we encourage DOE to move forward with issuing export terminal licenses.

Western Energy Alliance represents over 400 companies involved in all aspects of environmentally responsible extraction and production of oil and natural gas in the West. We represent independent producers, most of whom are small businesses with an average of twelve employees.

We support the general conclusions from the study that the United States benefits economically from exporting LNG, with more benefits accruing the more we export. While that seems like an obvious conclusion based on fundamental economic and free trade principles, it is an important statement, as politicians and manufacturing interests have lined up to oppose exports.

Some chemical manufacturing companies and their representatives have criticized LNG exports and exaggerated the potential price increases. These manufacturers are taking advantage of low natural gas prices, rebuilding manufacturing plants, and increasing jobs in America. The natural gas industry takes pride in supporting these new manufacturing jobs in addition to those we have created directly in the energy industry. However, the potential price increases analyzed by NERA are very moderate, and given the large disparity between U.S. and world natural gas prices, American manufacturing would still retain its competitive advantage with the modest price increases NERA projected. As elaborated below, we believe LNG exports will spur additional demand and hence supply, further moderating prices. The government should not be in a position of suppressing one industry to benefit another with lower input costs. In addition, there are serious implications for hindering free trade and abdicating U.S. leadership in promoting free trade worldwide.

NERA analyzed the impact of exports on the prices U.S. natural gas consumers would pay, and finds only moderate increases. However, we believe the analysis failed to take into account the capacity of the industry to increase production in response to the greater demand that would result from exports. Because of the glut in natural gas supplies, development activity is down in many areas, particularly in dry gas basins. With increased demand, producers in the West and across the country will likewise respond with increased production, further moderating prices below what NERA projects.

NERA was not tasked with calculating actual changes in production or prices, making the report less useful than it might have been with a more comprehensive analysis. Had this analysis been performed, it would show increased domestic natural gas production due to demand from LNG exports and the resulting moderation on price increases. According to John Felmy, Chief Economist at the American Petroleum Institute, year-to-date well completion data show fewer development wells have been drilled compared to the numbers of exploratory wells, indicating natural gas discoveries that are ready for full development under sufficient demand conditions.

In addition, the LNG Export Report uses natural gas production numbers from the EIA 2011 Annual Energy Outlook (AEO), which are known to be too low. We recognize that these were the data available at the time, but the 2012 AEO and 2013 Early Release AEO project much greater domestic production of natural gas. The 2020 dry natural gas production projection is 14.6% greater in the 2013 Early Release than in the 2011 AEO. The updated EIA numbers indicate there will be ample domestic supply of natural gas, and hence lower price increases than projected in the LNG Export Study.

Western Energy Alliance encourages DOE to accept the conclusions of the LNG Export Study that natural gas exports will benefit the overall U.S. economy, and move forward with LNG export terminal permits.

Sincerely,

Kathleen M. Sgamma
VP, Government & Public Affairs