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Attached please find the Comments of Cameron LNG, LLC on the LNG Export Studies. Thank you.

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

**Cameron LNG, LLC**

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**FE Docket No. 11-162-LNG**

**COMMENTS OF CAMERON LNG, LLC ON  
LNG EXPORT STUDIES**

**January 24, 2013**

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**UNITED STATES OF AMERICA  
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**COMMENTS OF CAMERON LNG, LLC ON  
LNG EXPORT STUDIES**

Pursuant to the Department of Energy (“DOE”) Office of Fossil Energy’s (“FE”) “Notice of Availability of 2012 LNG Export Study and Request for Comments,” 77 Fed. Reg. 73627 (Dec. 11, 2012), Cameron LNG, LLC (“Cameron LNG”) hereby submits comments on the two-part LNG export cumulative impact study (“LNG Export Study”) commissioned by DOE to inform DOE’s decisions on applications seeking authorization to export LNG from the lower-48 states to non-Free Trade Agreement (“non-FTA”) countries.

The LNG Export Study is comprised of two parts. The first part, published in January 2012, was performed by the Energy Information Administration (“EIA”) and assessed how DOE-specified export volume scenarios could affect domestic energy markets, focusing on consumption, production, and prices (“EIA Study”).<sup>1</sup> The second part, performed by NERA Economic Consulting (“NERA”) and published in December 2012, evaluated the macroeconomic impact of LNG exports on the U.S. economy (“NERA Study”).<sup>2</sup>

On December 21, 2011 in FE Docket No. 11-162-LNG, Cameron LNG filed an application for authorization to export 12 million metric tons per annum, or approximately 620 Bcf per year, of LNG to non-FTA countries. On December 5, 2012, DOE/FE placed the

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<sup>1</sup> Energy Information Administration, *Effect of Increased Natural Gas Exports on Domestic Energy Markets* (Jan. 2012).

<sup>2</sup> NERA Economic Consulting, *Macroeconomic Impacts of Increased LNG Exports From the United States* (Dec. 2012).

LNG Export Study into the record of each of the pending applications to export LNG to non-FTA countries, including that of Cameron LNG. On the same day, DOE/FE issued a notice requesting comments on the LNG Export Study, to be filed in the non-FTA export application dockets.

## **I. EXECUTIVE SUMMARY**

In the last few years, the United States has made a remarkable transition from being a net importer of natural gas to becoming one of the world's top producers of natural gas. New discoveries and innovation have presented new opportunities. The abundance of natural gas in the United States is a powerful force that can mitigate possible volatility of natural gas prices and create new opportunities for growth. Attaining the proper balance of supply and demand can help to ensure stable natural gas prices. Today's historic low natural gas prices reflect a detrimental imbalance in supply and demand, which can inhibit future production and deter the investment in long-term infrastructure necessary to bring new supplies to the market.

The United States has challenged other countries' export prohibitions because such restraints hinder competition and innovation, limit global income growth, and often result in retaliatory policies. The United States should not now adopt a protectionist stance that is contrary to these free-market principles, particularly with respect to natural gas, of which the United States has a plentiful supply.

LNG exports can help our domestic market find a supply and demand balance that provides producers a more stable signal to invest in our nation's natural gas infrastructure. In addition to helping stabilize domestic production and prices, providing U.S. trading partners with access to U.S. natural gas can have positive effects on the economy, infrastructure, foreign relations, and the environment. LNG exports represent an opportunity to boost the U.S. economy with added jobs and a way to improve our current trade balance deficit. LNG exports

provide an opportunity to enhance our infrastructure with additional pipelines and ports. LNG exports can provide positive geopolitical opportunities for the United States to assist European and Asian countries in diversifying their supply sources and can help prevent negative forces from constraining natural gas supplies as a political weapon. From an environmental perspective, LNG exports can help promote resource diversity and increased reliance on clean burning natural gas. In addition to the benefits identified in the NERA Study, LNG exports would provide substantial geopolitical benefits to the United States, such as improving our balance of trade, strengthening our energy security and that of our allies, enhancing global natural gas supply diversity and stability, and fostering positive relations with importing countries in need of clean natural gas.

In order to take advantage of all of these benefits, LNG export terminal investors and related stakeholders need a clear and certain regulatory path as well as consistent policies that reflect the free-trade principles of the United States. Today, however, the regulatory path and policy outlook regarding LNG exports are unclear, paralyzed, and plagued by an outdated mentality of energy scarcity. The United States has the chance to exert global leadership as the world's top producer of natural gas and must not squander the opportunity to capture the net economic benefits of natural gas exports to the economy. The current de facto moratorium on processing non-FTA export applications has delayed the ability to capture the benefits described above.

The DOE should act promptly on the non-FTA applications pending before it. The United States has a rare opportunity to be an early mover in the global competition to supply natural gas to growing world markets. Other countries are gearing up to compete with the United States and meet that demand. If the U.S. unnecessarily hesitates, potential export

customers will look to other countries to supply LNG, and the benefits identified in the NERA Study will shift to other countries, bypassing the United States.

As one of the pending non-FTA applicants, Cameron LNG understands that DOE must apply the public interest test to all the non-FTA applications. Given the benefits outlined above as well as the benefits outlined in the NERA Study, continued delay for any of the pending non-FTA applications is arguably against the public interest. Further, the Cameron LNG Project is particularly well situated among the applications pending before the DOE to satisfy the public interest test. The Cameron LNG Project, described in Cameron LNG's application, will stimulate the state, regional, and national economies; enjoys strong community support; exemplifies "smart growth" by expanding the existing Cameron LNG terminal; and utilizes responsible environmental mitigation strategies that result in a net environmental benefit.

## **II. INTRODUCTION**

### **NERA Study Identified Economic Benefits to United States in All Cases**

NERA analyzed the impact of LNG exports on the U.S. economy under a wide range of different assumptions about levels of export, global market conditions, and the cost of producing natural gas in the United States. The various scenarios that NERA developed and analyzed ranged from normal economic conditions to several variations of "stress cases," including those with high costs of producing natural gas in the United States and markedly increased demand for U.S. LNG in foreign markets. Export limits were set at levels that ranged from no exports to unconstrained exports for each of the scenarios.<sup>3</sup>

NERA's conclusions were unqualifiedly positive with respect to the net economic benefits to the United States:

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<sup>3</sup> See NERA Study at 1.

Across all these scenarios, the U.S. was projected to gain net economic benefits from allowing LNG exports. Moreover, for every one of the market scenarios examined, net economic benefits increased as the level of LNG exports increased. In particular, scenarios with unlimited exports always had higher net economic benefits than corresponding cases with limited exports.

In all of these cases, benefits that come from export expansion more than outweigh the losses from reduced capital and wage income to U.S. consumers, and hence LNG exports have net economic benefits in spite of higher domestic natural gas prices. This is exactly the outcome that economic theory describes when barriers to trade are removed.<sup>4</sup>

NERA also explained that domestic prices are unlikely to rise to a significant degree due to economic pressures from competing suppliers around the globe:

U.S. natural gas prices increase when the U.S. exports LNG. But the global market limits how high U.S. natural gas prices can rise under pressure of LNG exports because importers will not purchase U.S. exports if U.S. wellhead price rises above the cost of competing supplies. In particular, the U.S. natural gas price does not become linked to oil prices in any of the cases examined.<sup>5</sup>

In particular, the NERA Study concluded that these economic pressures will keep prices below the upper ranges of what were seen in the earlier EIA Study, which had not accounted for global market response to rising LNG prices.<sup>6</sup> As noted in the NERA Study:

In none of the scenarios analyzed in this study do U.S. wellhead prices become linked to oil prices in the sense of rising to oil price parity, even if the U.S. is exporting to regions where natural gas prices are linked to oil. The reason is that costs of liquefaction, transportation, and regasification keep U.S. prices well below those in importing regions.<sup>7</sup>

The NERA Study also concluded that neither the output nor the employment of energy-intensive domestic manufacturing sectors would be significantly affected: “In no scenario are energy-intensive industries as a whole projected to have a loss in employment or output greater

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<sup>4</sup> NERA Study at 1 (emphasis added).

<sup>5</sup> NERA Study at 2; *see also id.* at 6.

<sup>6</sup> NERA Study at 9-12.

<sup>7</sup> NERA Study at 12 (emphasis added).



than 1% in any year, which is less than normal rates of turnover for employees in the relevant industries.”<sup>8</sup>

Thus, the NERA Study concludes that U.S. economic welfare consistently increases as the volume of natural gas exports increases.<sup>9</sup> Moreover, because domestic LNG will compete with other sources of supply globally, price increases will be constrained and will not have a significant impact on domestic manufacturing. If LNG exports are not permitted, these economic benefits will be lost to the United States, but will accrue instead to other countries who allow their LNG export industries to develop.

### **Cameron LNG Agrees that LNG Exports are Highly Beneficial**

Cameron LNG agrees with the LNG Export Study’s conclusions that LNG exports are beneficial for the U.S. economy. Under every scenario examined by NERA, the United States is expected to realize net economic benefits from natural gas exports. Moreover, those benefits increase as the level of exports increases. As the NERA Study demonstrates, these benefits are produced from several sources. First, LNG exports provide the opportunity for natural gas producers to realize additional production by selling incremental volumes of natural gas and respond to market signals. Exports of natural gas improve the U.S. balance of trade, which results in a transfer of wealth from foreign countries to the United States. Construction of the liquefaction facilities will require financing and, to the extent such financing comes from outside the United States, will bring additional wealth into the United States from foreign countries. Additionally, LNG exports will stimulate production in the United States, further producing employment as those facilities need to be constructed and operated.

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<sup>8</sup> NERA Study at 12.

<sup>9</sup> NERA Study at 6-7.

The export of natural gas as LNG and the Cameron LNG Project would result in the following public benefits, all of which are consistent with the public interest:

- The NERA Study confirms that exporting U.S. natural gas resources to global markets will benefit the U.S. economy under all scenarios considered. Further, those benefits increase as the level of exports increase.
- The Cameron LNG Project will stimulate the state, regional and national economies through job creation, increased economic activity and revenues, including the direct creation of an average of approximately 2,900 construction jobs and, indirectly, approximately 63,000 job-years over the four-year construction period.
- The Cameron LNG Project will support small businesses in Southwest Louisiana that provide services both during and after construction.
- The Cameron LNG Project has strong community support from the area's Congressional delegation, including both U.S. Senators, the Governor of Louisiana, the region's state and local officials and community leaders.
- The Cameron LNG Project has experienced commercial partners who have been involved in LNG projects around the world. The project has commercial development agreements signed with Mitsubishi Corporation, Mitsui & Co. Ltd., and an affiliate of GDF SUEZ S.A.
- The existing Cameron LNG terminal has a proven track record of safe, reliable, and environmentally responsible operations.
- Use of Cameron LNG's existing site and facilities will minimize negative environmental effects, and Cameron LNG's proposed mitigation measures are expected to yield net environmental benefits overall.

- LNG exports and the Cameron LNG Project will raise domestic natural gas productive capacity and promote stability in domestic natural gas pricing.
- LNG exports and the Cameron LNG Project will foster greater competition in the global LNG market, making the United States an alternative to other gas-producing countries.
- LNG exports and the Cameron LNG Project will increase economic trade and provide access to clean natural gas.
- LNG exports and the Cameron LNG Project will have a positive and significant impact on the balance of trade that the United States has with its international trading partners.

Cameron LNG has commercial development agreements signed with Japanese companies Mitsubishi Corporation and Mitsui & Co. Ltd., and an affiliate of French company GDF SUEZ S.A. These customers are sophisticated, financially sound global energy market participants with the experience necessary to develop large energy projects. Cameron LNG believes its project has all the elements to be successful: an already operational LNG terminal site with existing infrastructure, strong commercial partners, a supportive community in Louisiana, and deep experience in getting projects financed, built, and operational.

### **III. GEOPOLITICAL BENEFITS**

In addition to those benefits identified in the NERA Study, LNG exports would yield substantial geopolitical benefits. The United States has been a world leader with respect to promoting free trade among nations and has consistently urged other countries to open its borders to allow access to U.S. products and services in a fair and competitive environment. Free trade is the life blood of a strong economy and has the ability to strengthen economic ties and help our trading partners from around the world. Historically, the United States and its trading partners have engaged in healthy and competitive trading that have helped fuel

innovation, created new opportunities for economic growth, and brought together people and cultures that have a common interest in promoting free markets.

As recently stated by Michael Camuñez, Assistant Secretary of Commerce, the National Export Initiative (NEI), launched by President Obama in his 2010 State of the Union address, called for a doubling of exports by 2014, and to achieve this the U.S. International Trade Administration has been asked to:

redouble efforts to open new markets for U.S. goods and services, substantially expand our trade promotion and trade financing efforts, increase access to financing for those companies doing business overseas, and, importantly, to aggressively enforce our trade laws and hold our trading partners accountable to their commitments at the World Trade Organization and through existing traded agreements in order to ensure that U.S. companies can compete on a level playing field.<sup>10</sup>

The United States has seen much success in exporting products such as timber, automobiles, and communications technology. Natural gas exports will contribute to this success, as the NERA Study shows. It is also worth noting that the Obama Administration launched a National Export Initiative in March 2010 to double U.S. exports over the next five years as a way to boost the economy and create jobs. The export of LNG would contribute to that effort.

### **International Trade Benefits**

Cameron LNG estimates that the Cameron LNG Project's customers will export an average of approximately \$8.6 billion of LNG per year.<sup>11</sup> In addition, oil and condensate production associated with the Cameron LNG Project is expected to average \$2.2 billion per year, bringing the average total trade balance benefits to \$10.8 billion per year in 2011 dollars.

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<sup>10</sup> Michael C. Camuñez, Assistant Secretary of Commerce, presentation to the San Antonio Hispanic Chamber of Commerce, October 5, 2012.

<sup>11</sup> This assumes that the Project's tolling customers will sell LNG at a price equal to 70% of the oil price forecasts in the AEO 2011, as stated in 2011 dollars.

This will have a positive and significant impact on the balance of trade that the United States has with its international trading partners. In 2011, the U.S. trade deficit on goods was \$737 billion (reflecting imports of \$2,236 billion and exports of \$1,497 billion).<sup>12</sup> Over 40% of this trade imbalance was attributable to imports of petroleum products. While the Cameron LNG Project alone will not eliminate this imbalance, it will make a significant contribution to reducing it for a sustained period of time.<sup>13</sup>

U.S. international trade law and general U.S. trade policy both support exports of domestically produced LNG. In addition to having a beneficial impact on the U.S. trade deficit by leveling the balance of payments between the United States and the rest of the world, LNG exports also will enhance the diversity of global supply and contribute to the security interests of the United States and its allies.

The export of domestically produced LNG will promote liberalization of the global gas market by fostering increased liquidity and trade at prices established by market forces. The current international trade in natural gas centers around three primary markets: North America, Europe and Asia. There is substantial natural gas trade within these markets, but limited trade among these markets. The pricing structure within each market is significantly different. In North America, natural gas is traded in a highly liquid and competitive market, and prices are very transparent. The European and Asian markets are dominated by natural gas price linkage to the value of competing crude oil products. LNG contracts for these markets also are predominantly indexed to crude oil. Current global supply shortages of LNG are having adverse impacts for the United States' closest allies in Asia and Europe. The Cameron LNG Project will

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<sup>12</sup> U.S. Department of Commerce Bureau of Economic Analysis, *International Data*, available at <http://www.bea.gov/iTable/iTable.cfm?ReqID=6&step=1>, Table 1. U.S. International Transactions.

<sup>13</sup> Congressional Research Service, *U.S. Trade Deficit and the Impact of Changing Oil Prices*, June 18, 2012, page 4.

help reduce gas price volatility around the world, thereby increasing the dependability of international energy trade.

### **Global Environmental Benefits**

The export of LNG from the United States provides consuming nations with access to clean natural gas.

The United States has a strong interest in encouraging the world's major energy consumers to take advantage of a global increase in natural gas supply to reduce greenhouse gas emissions. The State Department has established a new Bureau of Energy Resources; one of the primary objectives of this agency is to promote environmentally sustainable forms of energy abroad.

Moreover, the NERA Study notes that Japan and Korea depend almost entirely upon LNG imports to meet their natural gas demand and are very dependent upon reliable sources of LNG.<sup>14</sup> This dependence would become even more acute if Japan were to implement a long-term or permanent policy to rely less on nuclear power generation and toward greater reliance on natural gas-fired generation. The United States, and the Cameron LNG Project in particular, can aid in this transition by providing a secure source of supply at a delivered cost substantially below prices Japan currently pays for LNG supplies.

## **IV. EMPLOYMENT AND THE ECONOMY**

The NERA Study concludes that "LNG exports are not likely to affect the overall level of employment in the U.S."<sup>15</sup> This conclusion is the direct result of an employment rate assumption in the NERA model, i.e., "full employment in the labor market."<sup>16</sup> The result of this assumption is that any increase in employment in one part of the economy necessarily results in a decrease in

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<sup>14</sup> NERA Study at 17.

<sup>15</sup> NERA Study at 2.

<sup>16</sup> NERA Study at 110.

other parts of the economy, or, as stated in the NERA Study: “This assumption means total labor demand in a policy scenario would be the same as the baseline scenario.”<sup>17</sup> While generally this is a standard model assumption, here it results in a conservative employment result. The economy has seen full employment in the past for only brief periods, and the economy is not currently near full employment. Thus, LNG exports are likely to have greater positive effects on employment than what may be indicated from the NERA Study, with a timely increase in high-paying construction jobs soon after terminals are approved and, in the long term, jobs associated with increased natural gas production.

In its application, Cameron LNG has identified substantial economic benefits, including real job growth. To assess and quantify the substantial public benefits that will result from the Cameron LNG Project, Cameron LNG prepared an Economic Impact Assessment of its Project (“Economic Assessment”), provided at Appendix D to its application. This Economic Assessment, which is derived from price forecasts from the EIA and regional input-output multipliers from the United States Bureau of Economic Analysis, finds that the Cameron LNG Project will substantially benefit national, regional and local economies and improve the dependability of international trade.<sup>18</sup>

With an estimated capital cost in excess of \$6 billion,<sup>19</sup> and annual LNG exports averaging \$8.6 billion, the Cameron LNG Project will stimulate local, regional, and national economies through direct and indirect job creation, increased economic activity, and tax revenues.

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<sup>17</sup> NERA Study at 110.

<sup>18</sup> Cameron LNG has responded to inaccurate criticisms of its Economic Assessment elsewhere in this docket. *See* Answer of Cameron LNG, LLC to Motions to Intervene, Protest, and Comments at 16-19 (May 8, 2012).

<sup>19</sup> The results in the Economic Assessment were based on estimated capital costs of \$4 billion. Because Cameron LNG currently estimates capital costs to equal approximately \$6 billion, the results of the Economic Assessment are conservative.

The design, engineering, and construction of the Cameron LNG Project will result in the creation of an estimated 2,900 construction jobs and, indirectly, approximately 63,000 job-years over the four-year construction period.<sup>20</sup>

An even greater number of jobs, and far greater overall economic benefits, will result from the upstream exploration and production of the approximately 2.3 Bcf/d of gas required for the Cameron LNG Project. Some 4,600 jobs are expected in the natural gas industry. In addition, the exploration and production of natural gas has a very strong multiplier effect on job creation and other economic activity. Independent studies have examined the economic impact of natural gas development in Pennsylvania and West Virginia.<sup>21</sup> The studies measured the costs of natural gas development in these areas and estimated that, for every dollar spent by natural gas producers, at least one additional dollar of economic activity was generated within that state.<sup>22</sup> This, in turn, benefits local businesses and other vendors and suppliers.

For the U.S. economy as a whole, the Economic Assessment finds that the Cameron LNG Project would generate a total benefit during the periods of construction and operation of 1.1 million job-years. In order to verify the reasonableness of this result, the Economic Assessment identified three relevant studies that suggested economy-wide job gains from the Cameron LNG

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<sup>20</sup> The average number of on-site engineering and construction jobs has been revised since the preparation of the Economic Assessment, based on additional information provided by the principal project contractor.

<sup>21</sup> See, e.g., *Economic Impacts of Marcellus Shale in Pennsylvania: Employment and Income in 2009* (Aug. 2011), available at <http://www.marcellus.psu.edu/resources/PDFs/Economic%20Impact%20of%20Marcellus%20Shale%202009.pdf>; Pennsylvania State University, *An Emerging Giant: Prospects and Economic Impacts of Developing the Marcellus Shale Natural Gas Play* (July 24, 2009), available at <http://www.alleghenyconference.org/PDFs/PELMisc/PSUStudyMarcellusShale072409.pdf>; National Energy Technology Laboratory, *Projecting the Economic Impact of Marcellus Shale Gas Development in West Virginia* (Mar. 31, 2010), available at <http://www.netl.doe.gov/energy-analyses/pubs/WVMarcellusEconomics3.pdf>; West Virginia University, *The Economic Impact of the Natural Gas Industry and the Marcellus Shale Development in West Virginia in 2009* (Dec. 2010), available at <http://be.wvu.edu/bber/pdfs/BBER-2010-22.PDF>; Report to the American Petroleum Institute, *The Economic Impacts of the Marcellus Shale: Implications for New York, Pennsylvania, and West Virginia* (July 14, 2010), available at <http://www.api.org/~media/Files/Policy/Exploration/API-Economic-Impacts-Marcellus-Shale.pdf>

<sup>22</sup> *Id.*



Project ranging from 46,000 to 95,000 (i.e., 920,000 to 1,900,000 job-years over the term of the export permit).

Both the Cameron LNG Project itself and the increased natural gas development and production associated with it will generate a significant amount of new revenue for local, state and federal governments.

As shown in Figure A-3 of the Economic Assessment, the total economic benefits of the Cameron LNG Project to the United States economy are conservatively estimated to average \$2 billion per year during the period of construction and \$14 to \$18 billion per year during the 20-year term of the requested authorization. The total increase in U.S. output is estimated at \$336 billion over the 20-year term. This does not include the beneficial effects to the local, state, and federal governments from the new tax revenue that will be generated from the economic activities associated with the Cameron LNG Project.

### **Domestic Manufacturing**

LNG exports would also provide a benefit to the domestic manufacturing that relies on natural gas, such as the chemical industry. However, because natural gas prices have become so low—down to one-third of prices just a few years ago—many oil and natural gas producers have ceased drilling natural gas and have turned to more profitable oil production instead. Comments in these proceedings show that drilling activity has dropped precipitously in light of historically low natural gas prices.<sup>23</sup> Several commenters representing U.S. business have lamented the current “boom or bust” activity that has characterized domestic exploration and production as a

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<sup>23</sup> See Comments of Members of the Pennsylvania Senate (dated Jan. 2, 2013); Comments of Members of the Pennsylvania House of Representatives (dated Dec. 18, 2012).

result of low natural gas prices.<sup>24</sup> Investment in exploration and production will stay low if there is no additional demand for natural gas. LNG exports will help ensure increase demand and therefore a healthy market for U.S. natural gas production. If exports are not permitted, as Sen. Landrieu (D-La.) recently noted, “incentives will decrease to the point where production will just fall off.”<sup>25</sup> Past experience suggests that such a sharp drop in production is often followed by a sharp rise in prices while producers struggle to catch up. The United States would gain economically by exporting some natural gas. It would stimulate domestic production, which will help supply domestic manufacturing and provide greater price stability.

LNG exports will also result in more diverse supply within the United States. Diversified supply will in turn provide price stability domestically, which will benefit all domestic consumers of natural gas. In addition, given our abundant domestic natural gas resources, maximizing domestic use of natural gas is not in conflict with LNG exports and in fact encourages the long term investment in America’s natural gas infrastructure that would be in the hundreds of billions of dollars over the next decade. Further, manufacturing companies around the world involved in energy-intensive manufacturing will be at a disadvantage in feedstock prices when compared to U.S.-based companies. LNG delivered abroad will have the liquefaction, transportation, regasification, and downstream transportation costs added before the gas reaches the manufacturing site; this burden will depend on the final destination of the LNG, but it will be upwards of \$7.00/MMBtu. Robust production of natural gas and associated liquefaction will also deliver other liquid hydrocarbons that the manufacturing sector will use at a lower price than the world competition.

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<sup>24</sup> See Comments of West Virginia Chamber of Commerce (dated Jan. 4, 2013); Comments of Youngstown/Warren Regional Chamber (dated Jan. 9, 2013); Comments of Canton Regional Chamber of Commerce (Jan. 11, 2013).

<sup>25</sup> Ben German, “Sen. Landrieu says Congress might need to ‘step in’ on natural-gas exports,” *The Hill* (Nov. 28, 2012).

Finally, restricting LNG exports could only serve to injure the larger U.S. economy in the long run, as other nations follow suit and restrict key inputs to U.S. manufacturing. As recently argued on Shopfloor by Lisa Dempsey, Vice President of International Economic Affairs, National Association of Manufacturers:

Internationally, the United States and its G-20 partners have repeatedly expressed their deep concern about rising protectionism, including, in particular, export restrictions, which began to proliferate globally as the world economy declined in 2008.

The United States has been at the forefront of challenging other countries' export prohibitions, starting with China's restrictions on raw material exports and more recently China's restraints on rare earth exports. Such restraints have severely negative effects on a wide array of manufacturers in the United States by limiting their access to key inputs in their production. The World Trade Organization (WTO) generally prohibits the use of export bans and quantitative restraints—basic rules to which the United States also agreed when it joined the WTO.

The United States' ability to challenge other countries' existing export restraints on agricultural, forestry, mineral and ferrous scrap products—just to name a few—will be virtually nonexistent if the United States begins imposing its own export restrictions. Even worse, as the world's largest economy and largest trading country, U.S. actions are often replicated by our trading partners to our own dismay. If the United States were to go down the path of export restrictions, even more countries would quickly follow suit and could easily limit U.S. access to other key natural resources or inputs that are not readily available in the United States.

This type of race to the bottom will only damage our nation's manufacturing base to the detriment of jobs and growth. Ninety-five percent of the world's consumers are outside the United States, and exporting has been a vital part of America's heritage and must be a cornerstone of its future. To reach the goal of doubling exports by 2014, the United States must not restrict any company's ability to expand its market for any commodity.<sup>26</sup>

From an international trade perspective, if the United States were to act contrary to past policy by restricting exports of LNG, it could ultimately be detrimental to many segments of the domestic manufacturing industry.

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<sup>26</sup> Linda Dempsey, Vice President of International Economic Affairs, National Association of Manufacturers, posted on Shopfloor: A Manufacturing Blog Reporting on Manufacturing Policy and Politics, shopfloor.org (Jan. 15, 2013).

## **V. ADDITIONAL CONSIDERATIONS AND BENEFITS**

DOE should focus its resources on the applications that can demonstrate an ability to reach market reality. Some features that DOE should consider in determining whether an application is viable include: level of community support; level of environmental impact; status of commercial contracts; financing milestones; status of FERC proceedings.

The Cameron LNG Project is particularly well situated among the applications pending before the DOE. In addition to the economic and job benefits already described, the Cameron LNG Project has strong support from Governor Jindal as well as other elected and community leaders. The Project exemplifies “smart growth” because it will be built at the site of the existing Cameron LNG terminal. Negative environmental effects will be minimized, and Cameron LNG’s proposed mitigation measures are expected to result in net environmental benefits.

### **Strong Regional Support for the Cameron LNG Project**

The Cameron LNG Project enjoys strong community support and Louisiana officials recognize the economic and social benefits that our project brings to region including creating local jobs and supporting small businesses. Over the last ten years, Cameron LNG has established a track record of operating its facilities in a safe, reliable and environmentally responsible manner. Cameron LNG and its employees support the local communities through charitable contributions and volunteerism that support organizations, education, safety and the environment. These efforts continue to help local community groups to preserve and enhance local wetlands, improve fisheries and protect bird habitats.

When the Cameron LNG Project was announced in early 2012, Louisiana Governor Bobby Jindal said,

Sempra’s decision to move forward in developing a new LNG export terminal in Louisiana is great news for our state and our people. With expanded natural gas production from the Haynesville Shale and other shale plays, companies are

recognizing what a great place Louisiana is for energy investments because of our abundant, reliable supply of natural gas and because of our strong business climate. Facilities like this will help support thousands of jobs in the energy industry across our state and will ensure quality jobs for Louisiana families for years to come.

In addition to Governor Jindal's support, the area's Congressional delegation including Senators Landrieu and Vitter, Members of the Louisiana State Legislature, local officials, and community leaders support the Cameron LNG Project and the economic benefits it would bring to the region.

### **Using Cameron LNG's Existing Site Minimizes or Eliminates Environmental Concerns Regarding Siting**

Because the Cameron LNG Project is being proposed at the same location as Cameron LNG's existing LNG terminal, environmental impacts are minimized. Locating the Cameron LNG Project at the selected site serves to minimize environmental impacts as compared to a greenfield project because such an approach allows Cameron LNG to utilize certain existing facilities at the Cameron LNG terminal—such as the storage tanks, the marine facilities, export capabilities, access to existing pipelines, and administrative and maintenance facilities. This reduces the overall footprint by more than 100 acres as compared to a greenfield development. The land for the proposed project site lies to the north of the existing terminal in an area that is almost entirely – 93% – within previously disturbed habitats and dredge spoil placement. Cameron LNG is tailoring construction procedures to reduce unwanted effects and wetlands mitigation will occur. Significantly, as part of its mitigation efforts, Cameron LNG will create marsh habitat in an area that historically contained estuarine marsh but had degraded into open water due to subsidence, saltwater intrusion, and erosion. To date, Cameron LNG has created over 1,000 acres of new wetlands with a goal of creating an additional 3,000 acres of upper

wetland. Thus, the net effects on coastal resources are expected to be positive due to the mitigation that Cameron LNG will implement.

## **VI. THE DOE SHOULD ACT QUICKLY**

### **The Time to Act Is Now**

Given the realities of the global natural gas market place, the opportunity for the United States to secure early-mover advantage for LNG exports, given its current position with respect to the production of natural gas is limited. Observing the increase in natural gas supply in the United States, countries around the world are developing or importing drilling technology in order to access their own natural gas reserves, including China, which has more natural gas reserves than the United States.<sup>27</sup> Further, global markets have already begun to respond to the prospect of U.S. exports. How much of the United States' prolific natural gas supply is exported will depend upon the market and how many export projects are built, not only in North America but around the globe. The United States has a window of opportunity to take a leading role in the global LNG market and significant investment and economic benefits are at risk. The United States should seize this opportunity to take advantage of our vast supply of natural gas to grow the U.S. economy and strengthen ties with our world partners. The alternative is that the economic benefits identified in the NERA Study will accrue, not to the United States, but rather to other countries competing with the United States in the global energy market.

### **Natural Market Forces Will Determine the Projects That Will Succeed**

The DOE should address first those applications where the project (i) is backed by financially sound energy market participants and commercial partners that have the experience to develop the project, (ii) has shown that it will provide national, regional and local economic

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<sup>27</sup> See Clifford Kraus, "Exports of American Gas May Fall Short of High Hopes," *New York Times* (Jan. 4, 2013).

benefits, such as job creation, (iii) has existing, operational facilities that can be utilized in an export project, (iv) will have minimal environmental effects, (v) enjoys substantial local support, and (vi) has filed with FERC an application under section 3 of the Natural Gas Act. However, the DOE does not need to pick winners and losers. It is highly unlikely that all of the LNG export projects with non-FTA applications currently pending before DOE/FE will be built. The number of projects which are ultimately developed and built will be determined by market conditions, the regulatory review process, availability of capital funding to such projects, and the ability of such projects to attract customers and execute binding long-term revenue contracts that underpin the large capital investment required for each project. For example, approximately seven years ago, some 35 onshore and 15 offshore LNG import terminals were proposed for the United States, but of those numbers only five new onshore and three offshore terminals were ultimately developed and completed. The same market forces which dictated whether those import facilities were ultimately completed will determine which of the proposed LNG export projects will succeed.

## **VII. CONCLUSION**

As set forth above, Cameron LNG agrees with the fundamental conclusions in the NERA Study. Natural gas exports will result in a net economic gain for the United States and, as Cameron LNG has shown, will result in the creation of new jobs. LNG exports will improve U.S. balance of trade, increase energy security for foreign allies, and provide global environmental benefits. In particular, the Cameron LNG Project is particularly well positioned, given its strong commercial partners, strong regional support, and minimal environmental effects.

In light of the limited period available for U.S. exports of natural gas to be competitive, it is imperative for DOE/FE to begin processing pending non-FTA applications once the comment

period on the DOE Export Study is complete, as DOE/FE has committed to do. DOE/FE has recently released an “order of precedence” for the pending applications based on the application’s file date. Cameron LNG urges the DOE/FE to establish a clear and efficient process that addresses the permit applications with the most viable projects soonest and to act promptly on pending applications in order for projects to finalize financing and commence construction of the facilities necessary to export LNG. The financing, planning, and construction of LNG export facilities require long lead times and additional delay could jeopardize these export projects and risk losing the potential net benefits that LNG exports can provide to the United States.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that, in accordance with 10 C.F.R. § 590.107 (2012), I caused a copy of the foregoing to be served on the following this 24th day of January, 2013:

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