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On Wednesday, December 5th, the department of energy released the long awaited second study on LNG exports, completed by a third party - NERA Economic Consulting, see attached, which suggests that across a wide range of scenarios and assumptions, LNG exports provided net economic benefits to the US economy. Like many of these reports, the devil is in the details, and in this case the details are significant and could have significant impact on the study's conclusions and implications for the Stakeholders to the LNG export industry.

In summary, my review of the DOE sponsored LNG export study suggests that the proposed benefits of the study rely on assumptions that have a **very low** probability of occurrence and therefore based on this study I could not conclude that LNG exports would provide a net economic benefit to the US economy or the US oil and natural gas industry.

There are five explicit assumptions made in the NERA LNG Export Study which appear unreasonable and will likely have a very low probability of occurrence, Which cause me to recommend that the conclusions of the NERA Study are not Valid and should not be relied upon to support decision making on whether LNG exports are economically beneficial to the US economy relative to alternative uses of the nations natural gas supplies.

1. NERA Study assumes that US total demand growth by 2030 and 2035 will only be 1.6 bcfd and 3.2 bcfd respectively from current US total natural gas demand level. IHS CERA and Wood Mackenzie estimate that US natural gas demand will grow to 8 bcfd and 15 bcfd respectively by 2030. If US natural gas demand growth is only 1.6 bcfd between now and 2030, then of course, it would not take much of a genius to conclude LNG exports under this unrealistic low demand growth assumption, might not exert significant upward pressure on price. An assumption that US total natural gas demand will only grow 1.6 bcfd between now and 2030, is basically a no demand growth scenario. This basically no growth assumptions is absolutely inconceivable, and totally invalidates this study, because natural gas domestic demand growth is one of the most critical assumptions in this study. If the fundamental assumption that the study is based on is essentially no load growth, and natural gas demand growth is one of the most critical variables in the study, this point alone is enough to invalidate the study.

2. To get US LNG Exports to show positive net US economic benefits, NERA had to

make the following assumptions (**again, very low probability in my opinion**)

a. Nuclear power availability in Europe and Asia had to remain "**significantly**" below historical levels over the entire forecast period……….**Very low probability**

b. Major LNG Exporters (such as Quatar, Australia, etc….) had to keep LNG export capacity at current 2012 levels, providing no additional competition to US LNG exporters……….**Very Very low probability**

c. Shale natural gas rich reserve countries like China, **will not** capitalize on and grow shale natural gas reserves or significantly exploit pipeline imports from Russia, over the forecast period ……….**Very Very low probability**

d. US LNG Exporters and Global LNG competitors will **behave rationally**, willingly allowing global LNG prices to be driven down near marginal costs, **foregoing** the opportunity to earn significant rent, maximize profits and maximize return on investment that would be achieved if they fight and exert Cartel Market forces in order to maintain **well established** oil indexed pricing. ……….**Very Very low probability**

3. Study **does not** account for the reduced competitiveness and lost international business that would be incurred by energy intensive natural gas industries like ***the US Petro Chemical industry***, if US natural gas prices rise and security of supplies are put at risk, through significant US LNG exports

4. The likelihood that the public or the political process will find fair that only 5% - 10% of the US economy will accrue the benefits of LNG exports (Oil and Natural Gas Industry and Investors in the Industry) while the other 90% - 95% must bear the cost of higher natural gas prices, reduced security of natural gas supplies ***and most importantly, incur the enormous opportunity costs associated with domestic natural gas supplies which could have been used for domestic consumption in the creation of higher value products and services, creating multiplier effects in the economy on the order of 3 – 5 times the value that would have been achieved by exporting natural gas to the external***

market.

Hundreds of Billions of Dollars in Mis-allocated capital in direct cost will be incurred directly, but trillions of dollars in lost economic opportunity will go forgone because of the rush to make a quick profit on the nation's precious natural gas resources which should be used to make our economy more competitive, not to enslave it to the global economy, with a net benefit to only the top 5% of the nations population.

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