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Dear Secretary Chu:

I respectfully submit this editorial in support of LNG exports.

Sincerely,

Jason Van Buren

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December 20, 2012 6:27 pm

## Shale gas exports will aid US and its allies

By Bill Richardson and Spencer Abraham

### Permits would point trade partners to cleaner fuel, say Bill Richardson and Spencer Abraham

If there's a bright spot in the gloomy recent history of the US economy, it is the expansion of our energy sector. A plentiful and inexpensive supply of natural gas from shale rock has led to cheaper electricity for consumers and industry, the revival of US manufacturing and greater US energy independence.

A decade ago, natural gas producers worried that America's supply was running dangerously low and imports would be the nation's only salvation. No more.

Thanks to new drilling technologies and an abundance of shale gas, US "proven" natural gas reserves surpassed 300tn cubic feet in 2010, and technically recoverable natural gas is estimated to exceed 2,200 tcf, according to the Energy Information Administration. This represents an increase of 61 per cent from the agency's estimate four years previously. Given US natural gas consumption of about 24 tcf, America has sufficient resources available to satisfy domestic needs for more than 90 years.

America could now become a net exporter of liquefied natural gas by 2016. Yet this prospect has aroused concern among some US industrial energy users, who are eager to retain the competitive advantage they currently enjoy from low energy prices. The fear is that LNG exports would lead to higher natural gas prices in the US, even though shipping and liquefaction costs mean foreign consumers would always pay more than domestic buyers. Some in US industry are now opposed to any LNG exports at all.

We believe, however, that LNG exports can buttress US geopolitical leadership and trade, while at the same time continuing to support low domestic natural gas prices and a renaissance in domestic manufacturing. In addition LNG exports offer the potential for lower global carbon emissions.

The US Department of Energy has confirmed this view in a new report examining the wisdom of exporting LNG. The report, which echoes many other studies, concludes that exports would broadly benefit the US economy with little impact on domestic natural gas prices. It states that LNG exports could generate up to \$47bn in new economic activity in the US by 2020. The more gas exported, the greater the benefits to the US, the report concluded.

The reason is simple. Today much natural gas is flared or shut in because there is not a domestic market for the gas produced as a byproduct of exploration and production of liquid hydrocarbons. By capturing this lost natural gas for export, the US would ultimately reduce price volatility, bolster its long-term reserves and enable its natural gas sector to reach its growth potential.

Meanwhile by becoming an exporter, the US would fill a vital role for its allies in Europe and Asia, many of which are dangerously dependent for natural gas on foreign powers frequently hostile to US interests. Reliance on Russian gas in Ukraine and the EU would be likely to diminish, for example.

Asian demand for natural gas is growing rapidly. In the wake of the Fukushima disaster, the need for LNG in Japan, already the world's largest market has grown considerably. China and India, both heavily dependent on coal to meet their energy needs, are looking to capitalise on their own shale formations but will not be able to move swiftly enough to meet near-term demand.

The environmental considerations of these developments are also important for US policy. Burning natural gas to generate power creates 50 per cent fewer carbon emissions than burning coal. In the US carbon emissions fell to 1992 levels in the first quarter of 2012, owing mainly to a transition from coal to gas. Many developing nations, such as China and India, would like to follow suit but lack access to the resource. Exports from the US would help to support this transition to cleaner fuels.

Armed with its new report, as well as mounting data that affirm the benefits of natural gas exports, the DoE should approve the applications pending for LNG export terminals. To date, Sabine Pass in Louisiana is the only terminal to receive DoE approval. Ultimately the Federal Energy Regulatory Commission will decide which projects are technically viable and investors will decide whether to provide capital, but more green lights from the DoE would give US trade partners confidence to adopt natural gas in lieu of higher emitting fuels. It would also affirm America's commitment to free trade.

After decades of energy insecurity, the US has abundant domestic resources to serve its own natural gas needs today and far into the future. Natural gas exports cannot revive the US economy alone but they can help lead us toward a more robust energy future, a worthy and achievable goal.

*The writers were US secretaries of energy under Presidents Bill Clinton and George W. Bush respectively*

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