

**From:** [Harrison, Lauren M /J](#)  
**To:** [LNGStudy](#)  
**Subject:** Golden Pass Products LLC - FE Docket No. 12-156-LNG - 2012 LNG Export Study  
**Date:** Thursday, January 24, 2013 12:19:53 PM  
**Attachments:** [FE Docket No. 12-156-LNG-Golden Pass Products LNG Initial Comments.pdf](#)

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Sir/Madam,

Attached are Golden Pass Products LLC's Initial Comments regarding the 2012 LNG Export Study, prepared for filing with the Department of Energy/Office of Fossil Energy.

If there are any questions associated with this filing, please contact the following:

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Respectfully submitted,

Golden Pass Products LLC

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

Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC,	)	FE Docket No. 10-161-LNG
Lake Charles Exports, LLC,	)	FE Docket No. 11-59-LNG
Dominion Cove Point LNG, LP,	)	FE Docket No. 11-128-LNG
Carib Energy (USA) LLC,	)	FE Docket No. 11-141-LNG
Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC,	)	FE Docket No. 11-161-LNG
Cameron LNG, LLC,	)	FE Docket No. 11-162-LNG
Gulf Coast LNG Export, LLC,	)	FE Docket No. 12-05-LNG
Jordan Cove Energy Project, L.P.,	)	FE Docket No. 12-32-LNG
LNG Development Company, LLC (d/b/a Oregon LNG),	)	FE Docket No. 12-77-LNG
Cheniere Marketing, LLC,	)	FE Docket No. 12-97-LNG
Southern LNG Company, L.L.C.,	)	FE Docket No. 12-100-LNG
Gulf LNG Liquefaction Company, LLC,	)	FE Docket No. 12-101-LNG
CE FLNG, LLC,	)	FE Docket No. 12-123-LNG
Excelerate Liquefaction Solutions I, LLC, and	)	FE Docket No. 12-146-LNG
Golden Pass Products, LLC	)	FE Docket No. 12-156-LNG

**INITIAL COMMENTS  
OF GOLDEN PASS PRODUCTS LLC  
REGARDING THE 2012 LNG EXPORT STUDY**

Pursuant to the “Notice of Availability of 2012 LNG Export Study and Request for Comments” issued by the Office of Fossil Energy, Department of Energy (“DOE/FE”) and published in the *Federal Register*,<sup>1</sup> Golden Pass Products LLC (“GPP”) submits the following Initial Comments regarding the LNG Export Study commissioned by DOE/FE and prepared by NERA Economic Consulting (“NERA”) to evaluate the cumulative economic impact of previously authorized and pending applications to export liquefied natural gas (“LNG”) to non-Free Trade Agreement nations (“NFTAs”).<sup>2</sup> The NERA Study assessed the macroeconomic impact of LNG exports on the U.S. economy using a general equilibrium macroeconomic model of the U.S. economy with an emphasis on the energy sector and natural gas in particular.

Golden Pass Products has applied for authority to export natural gas to countries with which the U.S. has not entered into a free trade agreement for trade in natural gas (FE Docket No.

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<sup>1</sup> *Freeport LNG Expansion, L.P., and FLNG Liquefactions, L.L.C.*, FE Docket No. 10-161-LNG, 77 Fed. Reg. 73627 (December 11, 2012) (“Request for Comments”).

<sup>2</sup> The 2012 LNG Export Study comprises two reports: (1) an analysis performed by the Energy Information Administration (EIA) and originally published in January 2012, entitled *Effect of Increased Natural Gas Exports on Domestic Energy Markets* (“EIA Study”), examining how specified scenarios of increased natural gas exports could affect domestic energy markets, and (2) an evaluation performed by NERA Economic Consulting (“NERA”), a private contractor retained by DOE, entitled *Macroeconomic Impacts of Increased LNG Exports From the United States* (“NERA Study”).

12-156-LNG).<sup>3</sup> Golden Pass Products requests that these comments also be considered in the pending proceedings for its NFTA permit application.

## ■ Summary

Golden Pass Products agrees with the NERA study conclusion that LNG exports will be a net benefit to the U.S. The NERA report conclusion is consistent with other recent studies examining the economic impacts of LNG exports, including the economic study findings presented in Golden Pass Products' pending application. The NERA study is comprehensive and provides an in depth assessment of the macroeconomic effects of U.S. LNG exports.

NERA's 2012 LNG Export Study is based on a conservative set of assumptions that tend to understate the significant net economic and employment benefits of LNG exports. Indeed, the study employs lower natural gas supply levels than those currently anticipated by more recent Energy Information Administration (EIA) outlooks. Nonetheless, even when these conservative assumptions were applied to a broad range of export scenarios, in all cases NERA identified net positive economic benefits that grow with increased exports. Furthermore, the studies prepared for Golden Pass Products' application demonstrated significant new job creation that was not identified in the NERA study, as well as significant related upstream and petrochemical activity gains.

The NERA study is thorough and comprehensive and provides support for DOE to approve the pending LNG export applications. The study's conclusions of net positive macroeconomic benefits once again demonstrate that LNG exports are in the public interest. At a time when rival LNG projects from other nations are aggressively promoting supplies to key markets, it is imperative that U.S. projects be in a position to compete for these opportunities. As such, the DOE must reactivate its reviews and expedite final determinations for all of the pending NFTA permit applications.

## ■ Discussion

### Major Benefits from LNG Exports

NERA's conclusion that LNG exports are of net benefit to the U.S. demonstrates that exporting LNG is in the public interest. This is not surprising, given the magnitude of economic activity stimulated by such capital-intensive, long-term projects.

This conclusion is consistent with the findings of studies commissioned for Golden Pass Products, wherein significant economic gains nationally on the order of \$31 billion in gross

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<sup>3</sup> GPP has filed an application before DOE/FE for authorization to export 740 billion cubic feet ("Bcf") of domestically produced gas as LNG, equal to 15.6 million metric tons per annum ("MTPA"), to non-Free Trade Agreement nations ("NFTAs"), for a term of 25 years commencing at the earlier of the date of first export (following the construction of the necessary facilities) or seven years from issuance of the authorization. GPP's application is pending in FE Docket No. 12-156-LNG. Notice of GPP's application was published in the *Federal Register* on December 6, 2012. On September 27, 2012, the DOE/FE authorized GPP to export 740 Bcf annually to countries that have entered into Free Trade Agreement ("FTA") requiring the national treatment for trade in natural gas *Golden Pass Products LLC*, FE Docket No. 12-88-LNG, Order No. 3147. GPP's NFTA application includes economic studies that GPP commissioned to examine both the price and macroeconomic impacts of its proposed project.

product were identified with the proposed 15.6 million tons per annum (MTA) LNG export project.<sup>4</sup>

According to a study conducted by The Perryman Group (TPG), Golden Pass Products' approximately \$10 billion investment in infrastructure to build the proposed facility would generate about \$20 billion in gross product nationally during the five-year construction phase and approximately \$11 billion in gross product nationally from operations (about \$460 million annually for the 25-year life of the facility).<sup>5</sup>

### **Ample Supply to Meet Demand**

Supply and demand fundamentals are key to understanding the potential impacts of LNG exports on the U.S. domestic natural gas market. Over the past decade, U.S. natural gas resources have dramatically increased as a result of new technologies.<sup>6</sup> The U.S. now has vast supplies of cost-effective gas, enough to supply growing domestic demand including new manufacturing, as well as LNG exports.<sup>7</sup> Today, this rapid transformation of supply continues along with continued upstream developments.

However, the conservative gas supply assumptions in the NERA study date back to the lower levels provided in the reference case in the Energy Information Administration's 2011 Annual Energy Outlook (AEO). This stands in contrast to the AEO 2013 Early Release reference case figures, which project 18 percent more U.S. production in 2025. As a result, the NERA projection likely overstates the impact of LNG exports on domestic natural gas demand compared to the overall benefits of exports.

### **More Projects, More Jobs**

Golden Pass Products agrees with the NERA conclusion that, "... the increased investment for liquefaction facilities and increased natural gas drilling and production provides, in general, near-term stimulus to the economy."<sup>8</sup> However, we disagree with the conclusion, "At the same time, higher energy costs do create a small drag on economic output in the U.S. so that total worker compensation declines."<sup>9</sup> Golden Pass Products disagrees because more detailed economic analysis focused solely on the impact of exports on jobs identified significant job creation potential. NERA's modeling approach assumes full employment among the targeted workforce, a circumstance that simply does not exist in today's economy; the model did not

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<sup>4</sup> FE Docket 12-156 -LNG: Golden Pass Products LLC NFTA Application, Exhibit D: The Socioeconomic Impact of Authorizing Exports of Liquefied Natural Gas (LNG) from the Golden Pass Products Facility in Jefferson County, Texas on Business Activity in Jefferson County, the Primary Impact Area, and the United States, The Perryman Group, p. 2.

<sup>5</sup> TPG, pp. 2 and 3.

<sup>6</sup> Golden Pass LLC NFTA Application (FE Docket 12-156- LNG), p18.

<sup>7</sup> In fact, ExxonMobil, a shareholder of Golden Pass Products, has filed permit applications for a petrochemical expansion at its Baytown, Texas complex, where it plans to add an ethane cracker. If developed, the proposed project would create thousands of construction jobs and have other positive multiplier effects.

<sup>8</sup> Macroeconomic Impacts of LNG Exports from the United States, NERA Economic Consulting, page 77, Section D, paragraph 2.

<sup>9</sup> Macroeconomic Impacts of LNG Exports from the United States, NERA Economic Consulting, page 77, Section D, paragraph 2.

account for net job growth arising from LNG exports. However, LNG export projects would result in billions of dollars in investment and create thousands of jobs during construction and operation.

Golden Pass Products' application demonstrates the scale of contributions to employment. According to TPG's economic study, Golden Pass Products would generate tens of thousands of direct and indirect jobs across the U.S. During the construction phase, this would underpin the equivalent of about 45,000 jobs nationally across the spectrum of construction and supporting industries (including manufacturing, transportation and utilities).<sup>10</sup> Also, the proposed project would generate around 3,800 permanent jobs nationwide during the operations phase.<sup>11</sup> Lastly, the study identified thousands of additional long-term jobs that would be stimulated in the upstream and petrochemical industries.

While these figures represent estimates for a single project, employment gains of this scale can be reasonably anticipated for each LNG project ultimately constructed. So, LNG exports have much more to offer the job sector than was perceived by the NERA study.

### **Chemicals and Upstream Industries Get a Boost**

The NERA study understates two major areas of economic gain to the U.S. economy: the benefits created in the petrochemical industry and the significant benefits of sustained upstream natural gas production.

The enhanced gas production driven by LNG exports will promote production of incremental natural gas liquids (NGLs) that are essential for the chemicals industry. In Golden Pass' application, the Deloitte Market Point (DMP) study estimated that about an average incremental 75,000 barrels a day of NGLs would be produced if 6 Bcf/d of LNG were exported by industry.<sup>12</sup>

Additionally, for Golden Pass Products itself, TPG estimated a total of about \$8 billion of cumulative economic gains in the petrochemicals industry arising from incremental NGL production associated with Golden Pass Products' proposed project.<sup>13</sup>

Golden Pass and other LNG export projects can significantly benefit the petrochemical industry and its customers. The recent increase in domestic gas production has already led the U.S. petrochemical industry to announce significant expansions of petrochemical capacity, reversing a decades-long decline. Golden Pass Products' proposed exports would contribute to this development.

### **Upstream**

LNG export projects will generate significant increases in exploration and production of natural gas and associated liquids, creating abundant direct benefits for U.S. industry. These benefits were not captured in the NERA study.

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<sup>10</sup> TPG pp. 2 and 23.

<sup>11</sup> TPG pp. 2 and 26.

<sup>12</sup> FE Docket 12-156 -LNG: Golden Pass Products LLC NFTA Application, Exhibit C: Deloitte Market Point: Economic Impact of LNG Exports from the United States, p. 20.

<sup>13</sup> TPG pp. 35, 37.

To measure the indirect benefits to U.S. industry, the TPG study quantified the total expenditures and the real gross product stemming from increased exploration and production of natural gas due to Golden Pass Products' LNG exports. In a typical year, the TPG study shows the enhanced exploration and production increasing real gross product by about \$4.8 billion.<sup>14</sup> Naturally, greater upstream gains would accrue in proportion to the ultimate size of the LNG export industry, further strengthening the overall economy.

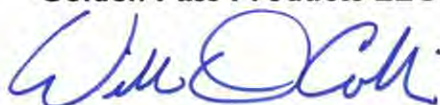
## **Conclusions**

With the NERA study in hand, the DOE has before it a compelling body of studies confirming that LNG exports are in the public interest. The NERA study is thorough and comprehensive, and supports DOE approval of the pending LNG export applications.

Based on the strength of the conclusions reached in the NERA study, GPP submits that following DOE/FE's completion of reviews for each individual proceeding, the DOE should act promptly to approve all of the qualified applications contemporaneously. To be consistent with the DOE's policies favoring the use of market forces to regulate exports where competition is present, the DOE should maximize competition by approving together all qualified LNG export applications. This would help ensure that market forces, rather than the timing of DOE permit issuance, determine the viability of each project. The NERA study, which has now been made a part of each individual proceeding, provides a compelling, persuasive basis for such action.

These LNG projects are poised to contribute significant and lasting economic gains for the U.S., with large-scale, high-paying jobs for many Americans. However, the time window is small since U.S. projects are in competition with projects from other nations for limited market opportunities. While the U.S. deliberates, others close in. Further delays in issuing the required authorizations may diminish this opportunity for U.S. LNG projects, and ultimately for the American people. As such, GPP respectfully urges the DOE to reactivate its reviews of the pending NFTA permit applications and expedite authorizations.

Respectfully submitted,  
**Golden Pass Products LLC**



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**Authorized Representative for  
Golden Pass Products LLC**

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<sup>14</sup> TPG p. 32

STATE OF TEXAS )  
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HARRIS COUNTY )

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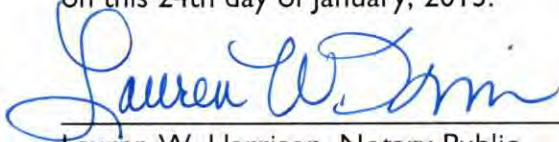
**CERTIFIED STATEMENT AND VERIFICATION OF  
AUTHORIZED REPRESENTATIVE**

Pursuant to Section 590.103(b) of the Department of Energy's (DOE) regulations, 10 C.F.R. § 590.303(e) (2012), William D. Collins, being first duly sworn on his oath deposes and says: that he is President of Golden Pass Products LLC; that that he is duly authorized to sign and file the foregoing Initial Comments in the captioned proceedings before the DOE; that he has read the Initial Comments; and that all of the statements and matters contained therein are true and correct to the best of his information, knowledge and belief.



William D. Collins  
President  
Golden Pass Products, LLC

Subscribed and sworn in Houston Texas,  
on this 24th day of January, 2013.



Lauren W. Harrison, Notary Public

My commission expires: 8/17/2015

