THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

May 3, 2013

TO: Members, Subcommittee on Energy and Power

FROM: Committee Staff

RE: Hearing on "U.S. Energy Abundance: Exports and the Changing Global Energy Landscape"

On Tuesday, May 7, 2013, at 10:00 a.m. in 2123 Rayburn House Office Building, the Subcommittee on Energy and Power will hold a hearing entitled "U.S. Energy Abundance: Exports and the Changing Global Energy Landscape." This day of the hearing will focus on impacts that exporting U.S. energy resources, in particular Liquefied Natural Gas (LNG), could have both here and abroad.

I. WITNESSES

Honorable J. Bennett Johnston
Chairman
Johnston & Associates

Honorable Byron Dorgan
Co-Chair
Bipartisan Policy Center

Mr. James Bradbury
Senior Associate, Climate and Energy Program
World Resources Institute

Mr. Michael Breen
Executive Director
Truman National Security Project

Mr. Mike Halleck
President
Columbiana County Board of Commissioners

Ms. Amy Jaffe
Executive Director, Energy & Sustainability
UC Davis Graduate School of Management

II. BACKGROUND

Recent refinements in unconventional extraction techniques, namely the coupling of hydraulic fracturing and directional drilling, has positioned the U.S. as the top natural gas producing nation in the world. Domestic oil production has surged in recent years, and U.S. coal has seen a growth in opportunities abroad. But the growth in natural gas production has received notable attention lately for its domestic use and its potential impact on trade, geopolitics, and energy production and consumption.

Estimates for natural gas resources in the U.S. continue to be revised upward, as

illustrated by two reports released within the last month. The Potential Gas Committee's (PGC) latest biennial assessment placed the total technically recoverable natural gas resource base in the U.S. at 2,384 trillion cubic feet (Tcf) as of end of 2012. The United States Geological Survey (USGS) assessment of the Bakken and Three Forks Formations in Montana, North Dakota, and South Dakota placed the technically recoverable amount of natural gas in these areas at 6.7 Tcf.—tripling the USGS previous estimate.

The Natural Gas Act (NGA), which became law in 1938, governs the import and export of natural gas in the U.S. and has been amended several times since. The Department of Energy (DOE) is responsible for the authorization of natural gas imports and exports, specifically liquefied natural gas (LNG), which is how natural gas is transported. The Federal Energy Regulatory Commission (FERC) is responsible for authorizing the siting and construction of actual natural gas facilities. The NGA all but assures that applications for natural gas trade with countries that the U.S. has a free trade agreement (FTA) with will automatically be approved in an expedited manner. For applications to export LNG to non-FTA countries, the NGA requires a much higher level of scrutiny. DOE must engage in a public interest assessment and has interpreted its obligations under the NGA and other Federal environmental laws to evaluate applications under several standards, including whether the proposed exports threaten the security of domestic natural gas supplies and the catch-all "any other issue determined to be appropriate." Only one license to export LNG has been approved and there are currently 19 applications to export LNG filed and pending with DOE.

There is a tremendous price differential in natural gas between the U.S. and foreign markets, even accounting for the cost of liquefaction and transportation. There are several countries across the globe that have large shale resources comparable to those in the U.S., but they lag far behind the U.S. in both extraction and exploration. There are both tangible and calculable economic possibilities that come with allowing the export of LNG as well as geopolitical considerations. There is already evidence that domestic natural gas production is having an impact across the globe even before trade with non-FTA countries has started. For example, there have been recent news accounts of increased natural gas production in the U.S. indirectly allowing Bulgaria to not be "pushed around" by Russia's OAO Gazprom by increasing Bulgaria's bargaining power.[1] There are direct political implications to U.S. energy exports, allowing the U.S. to strengthen its allies, such as Japan, Great Britain, and Poland, and weakening the position of less friendly nations that have tight control on natural gas supplies.

III. ISSUES

The following issues are expected to be examined at the hearing:

- What are the geopolitical implications of allowing or not allowing for increased LNG exports?
- What is the history of the Federal government's restriction and controls on the export of energy sources?

[1] Marson, James, Parkinson, Joe (2013, May 1). *In Reversal, Neighbors Squeeze Russia's Gazprom Over Natural-Gas Prices*. Wall Street Journal.

- How has the growth in U.S. domestic production of oil and natural gas impacted energy geopolitics and global trade?
- What are the domestic impacts regarding LNG exports?

IV. STAFF CONTACT

If you have any questions regarding the hearing, please contact Committee staff Tom Hassenboehler, Jason Knox, or Brandon Mooney at (202) 225-2927.