



The Committee on Energy and Commerce

Memorandum

March 21, 2014

TO: Members, Subcommittee on Energy and Power

FROM: Majority Committee Staff

RE: Hearing on H.R. 6, the Domestic Prosperity and Global Freedom Act

On Tuesday, March 25, 2014, at 1:30 p.m. in 2123 of the Rayburn House Office Building, the Subcommittee on Energy and Power will hold a hearing on H.R. 6, Domestic Prosperity and Global Freedom Act, introduced by Rep. Cory Gardner.

I. WITNESSES

Panel I

- Ms. Paula Gant, Deputy Assistant Secretary for Oil and Natural Gas, Department of Energy.

Panel II

- Dr. Anita Orbán, Ambassador-at-Large for Energy Security, Government of Hungary;
- The Honorable James Bacchus, Greenberg Trauig LLP;
- Mr. Dave Schryver, Executive Vice President, American Public Gas Association;
- Mr. Kenneth Ditzel, Principal, Charles River Associates; and
- Dr. W. David Montgomery, Senior Vice President, NERA Economic Consulting.

II. BACKGROUND

The development and refinement of innovative extraction techniques by the energy sector has made the United States the number one natural gas producing nation in the world. The production of natural gas from shale has helped contribute to an energy renaissance, which, combined with the abundant domestic oil and coal reserves, is allowing the U.S. to undergo a remarkable domestic transformation, generating more than \$100 billion of announced investment

in over 120 different manufacturing projects and upending the global energy world order.¹ This reality has overtaken existing laws that were passed in an era of energy scarcity and failed Nixon-era policies of price controls threaten our domestic prosperity and our allies around the globe.

The Natural Gas Act (NGA), which became law in 1938, governs the import and export of natural gas into the U.S. and has been amended several times. Under the NGA, the Department of Energy (DOE) is responsible for the authorization of natural gas imports and exports, specifically Liquefied Natural Gas (LNG), one method by which natural gas is transported, and the Federal Energy Regulatory Commission 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 free trade agreement (FTA) countries 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.” Since enactment of NGA, only 6 applications to non-FTA countries have been approved and 24 are pending.²

The domestic benefits of increased LNG exports have been well documented. An analysis conducted by NERA for DOE in 2012 and a recently released 2014 update concludes that the U.S. has more than enough natural gas to meet its domestic needs affordably and to support export markets, and that exporting would be a net benefit to the U.S. economy.³ Although the economic benefits of LNG exports are significant, they may be exceeded by the geopolitical advantage provided. At a forum held on October 10, 2013, the Committee on Energy and Commerce heard from representatives of the Czech Republic, Haiti, Hungary, India, Japan, Lithuania, Singapore, South Korea, and Thailand who expressed their strong interest in LNG from the U.S.⁴

The U.S. has long benefited from and advocated for open markets and free trade policies. This is best exemplified by the U.S. using the World Trade Organization’s (WTO) dispute settlement mechanism to ensure other nations honor their WTO commitments and do not restrict

¹ See http://www.bizjournals.com/houston/morning_call/2014/02/u-s-shale-related-chemical-investment-tops-100b.html?page=all.

² See “[Pending Long-Term Applications to Export LNG to Non-FTA Countries](#),” Department of Energy, Last Revised 2/11/14.

³ See “[Macroeconomic Impacts of LNG Exports from the United States](#),” NERA Economic Consulting, December 3, 2012 and “[Updated Macroeconomic Impacts of LNG Exports from the United States](#),” NERA Economic Consulting, February 20, 2014.

⁴ See House Committee on Energy and Commerce forum entitled “[U.S. Energy Exports: Geopolitical Implications and Mutual Benefits](#),” October 10, 2013.

the export of certain commodities. It is important that the U.S. adhere to the same trade principles that we demand of others and not undermine our credibility.

H.R. 6 provides that all pending LNG applications to non-FTA countries for which a notice has been published in the Federal Register as of March 6, 2014, will be granted without delay or modification. The legislation also modifies the standard of review for future export applications, shifting the benchmark from FTA countries to WTO member countries.

III. SECTION-BY-SECTION

Section 1: Short Title

Section 1 provides the short title of “Domestic Prosperity and Global Freedom Act.”

Section 2: Regulatory Approval of Natural Gas Pipeline Projects

Section 2 amends subsection 3(c) of the NGA by striking “a nation which there is in effect a free trade agreement requiring national treatment for trade in natural gas” and inserting “a World Trade Organization member nation.” The term “World trade Organization member nation” is defined by the Uruguay Round Agreements Act.

Section 3: Pending Applications

Section 3 provides that any application for authorization to export natural gas under section 3 of the NGA for which a notice has been published in the Federal Register before March 6, 2014, shall be granted without modification or delay.

IV. ISSUES

The following issues will be examined at the hearing:

- The current approval process for LNG exports,
- The domestic benefits of LNG exports,
- The geopolitical implications of LNG exports, and
- The need for WTO compliance regarding LNG exports.

V. STAFF CONTACTS

If you have any questions regarding this hearing, please contact Tom Hassenboehler or Jason Knox at (202) 225-2927.