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ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
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April 30, 2014

Mr. Kenneth Ditzel
Principal
Charles River Associates
1201 F St. NW, Suite 700
Washington, D.C. 20004

Dear Mr. Ditzel:

Thank you for appearing before the Subcommittee on Energy and Power on Tuesday, March 25, 2014, to testify at the hearing on H.R. 6, the "Domestic Prosperity and Global Freedom Act."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions with a transmittal letter by the close of business on Wednesday, May 14, 2014. Your responses should be e-mailed to the Legislative Clerk in Word format at Nick.Abraham@mail.house.gov and mailed to Nick Abraham, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Ed Whitfield

Ed Whitfield
Chairman
Subcommittee on Energy and Power

cc: The Honorable Bobby L. Rush, Ranking Member,
Subcommittee on Energy and Power

Attachment

Additional Questions for the Record

The Honorable H. Morgan Griffith

I would like to be sure that I understand your point about LNG net back pricing and the influence of crude oil linked LNG prices; including the role of OPEC in this.

In the US, natural gas prices are determined by supply and demand. What I understand you are saying is that suppliers of crude oil, including OPEC countries have linked the price of LNG to it. So that if crude oil prices go up, so does the price of LNG.

Your net back argument implies that the price of US natural gas would have to rise to about $8 per mm Btu before it would reach parity with crude oil-linked LNG prices at $15-$16.

1. Is that right? Are most of the LNG prices linked to crude oil?

2. Chemical manufacturing is very important to my district and natural gas is a vital feedstock to that industry. What will unlimited natural gas exports to do domestic gas prices?

    a. How will that impact home heating and electricity prices?

    b. How will it impact U.S. manufacturing?

3. I understand that stable and affordable gas prices are allowing energy intensive manufacturers to expand and invest in the U.S., and that the foreign companies are relocating advanced manufacturing facilities to the United States. Can you discuss this trend and the impact that unlimited exports would have?

The Honorable Gene Green

1. How is natural gas priced in different parts of the world?

2. When signing contracts, how many years constitute a "long-term" LNG contract?

Traditionally, LNG export contracts have been long-term and oil-indexed. Recently, major importers in Asia met to discuss a buyer's club. These countries are attempting to band together in an effort to increase negotiating power and lower prices. Also, there has been a 25% increase since 2000 in short-term, hub-priced contracts. Some economists expect more flexibility and negotiation to take place as new contracts come online and old contracts are renegotiated.

3. Does your analysis include any shift in contracting?

U.S. producers have also entered into agreements by which they must meet certain criteria to ensure financing and future credit.

4. Does your research and analysis include any information on economic incentives or financial structures relating to U.S. natural gas producers?