



## Department of Energy

Washington, DC 20585

The Honorable Ed Whitfield  
Chairman  
Subcommittee on Energy and Power  
Committee on Energy and Commerce  
U. S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

On March 25, 2014, Paula Gant, Deputy Assistant Secretary for Oil and Natural Gas, Office of Fossil Energy, testified regarding H.R. 6, the "Domestic Prosperity and Global Freedom Act."

Enclosed are the answers to five questions that were submitted by Representative Gene Green. Also enclosed is an Insert that you requested to complete the hearing record.

If we can be of further assistance, please have your staff contact our Congressional Hearing Coordinator, Lillian Owen, at (202) 586-2031.

Sincerely,



Christopher E. Davis  
Principal Deputy Assistant Secretary  
for Congressional Affairs  
Congressional and Intergovernmental Affairs

Enclosures

cc: The Honorable Bobby L. Rush, Ranking Member



## QUESTION FROM REPRESENTATIVE GENE GREEN

Dr. Gant, over the past few years, U.S. exports of LNG has been discussed at length.

Q1. Would you agree that there are geo-political benefits of exporting domestic natural gas?

A1. As of March, 2014, Yes. These benefits are included in the discussion of recent DOE long-term authorizations to export liquefied natural gas (LNG) to non-free trade agreement countries. For example, in the LNG export authorization to Jordan Cove Energy Project, L.P, (DOE/FE Order No. 3413, March 24, 2014), DOE stated in its findings:

*We have also considered the international consequences of our decision. We review applications to export LNG to non-FTA nations under section 3(a) of the NGA. The United States' commitment to free trade is one factor bearing on that review. An efficient, transparent international market for natural gas with diverse sources of supply provides both economic and strategic benefits to the United States and our allies. Indeed, increased production of domestic natural gas has significantly reduced the need for the United States to import LNG. In global trade, LNG shipments that would have been destined to U.S. markets have been redirected to Europe and Asia, improving energy security for many of our key trading partners. To the extent U.S. exports can diversify global LNG supplies, and increase the volumes of LNG available globally, it will improve energy security for many U.S. allies and trading partners. As such, authorizing U.S. exports may advance the public interest for reasons that are distinct from and additional to the economic benefits identified in the LNG Export Study.*

## QUESTION FROM REPRESENTATIVE GENE GREEN

In fact, DOE states U.S. LNG exports will benefit our allies by diversifying supplies and increasing availability globally.

Q2. Would you agree that including U.S. LNG in global supplies would offer some certainty to our allies that they have access to a stable source?

A2. As of March, 2014, Yes. See also the response to Q1.

## QUESTION FROM REPRESENTATIVE GENE GREEN

DOE also states that our allies will have the flexibility when engaging with current suppliers to negotiate better terms and prices.

In DOE's Jordan Cove application, very little was written about the geo-politics of LNG and much was written defending the NERA study.

Q3. What role does the economics of an application or long-term contract destination play?

A3. As of March, 2014, the macroeconomic impact of an application to export LNG is one of many key factors considered by DOE in assessing whether a proposed export is consistent with the public interest. A conservative estimate of the macroeconomic impact of an application to export LNG was included in the 2012 NERA Economic Consulting Study, *Macroeconomic Impacts of LNG Exports from the United States*, prepared at the direction of DOE. In that study, NERA made conservative assumptions regarding the impact of LNG exports on the U.S. economy.

To date, applications have sought broad authority to export LNG to multiple countries, in many cases to any non-free trade agreement country not prohibited by U.S. law or policy. In such cases, DOE cannot assess the direct impact of a specific country of destination, but instead focuses on the international benefits of LNG exports, as detailed in the response to Q1. However, DOE does require LNG exporters to disclose to DOE the destination countries on an ongoing monthly basis.

QUESTION FROM REPRESENTATIVE GENE GREEN

Q4. Do you agree that U.S. LNG supplies offer medium-to-long term benefits?

A4. As stated in Q1: *An efficient, transparent international market for natural gas with diverse sources of supply provides both economic and strategic benefits to the United States and our allies. Indeed, increased production of domestic natural gas has significantly reduced the need for the United States to import LNG. In global trade, LNG shipments that would have been destined to U.S. markets have been redirected to Europe and Asia, improving energy security for many of our key trading partners. To the extent U.S. exports can diversify global LNG supplies, and increase the volumes of LNG available globally, it will improve energy security for many U.S. allies and trading partners.*

## QUESTION FROM REPRESENTATIVE GENE GREEN

In the short-term, U.S. leadership could provide certainty to our allies across the globe.

Q5. Are there short-term solutions that DOE has identified that would benefit our allies?

A5. We take the energy security of our allies very seriously. Most immediately, the U.S. government has been working with Ukraine and our allies on its western borders to encourage them to prepare to reverse natural gas flows in some of its pipelines. DOE and other agencies are also taking steps to provide technical assistance in the areas of safely developing hydrocarbon and renewable resources, energy efficiency and energy sector reform. We will also provide technical assistance to help Central and Eastern European countries develop contingency plans for this coming winter to ensure provision of essential service in the event of an energy disruption.

1182 security.

1183 Mr. {Gardner.} So that means what for the United  
1184 States, in terms of geopolitical situation?

1185 Ms. {Gant.} We are very keenly interested and invested  
1186 in the energy security of our allies and training partners.

1187 Mr. {Gardner.} So it would increase the security of our  
1188 allies?

1189 Ms. {Gant.} It is a key strategic interest to the  
1190 United States.

1191 Mr. {Gardner.} Okay. It would create American jobs?

1192 Ms. {Gant.} What is it? I am sorry, I have lost track  
1193 of what it--

1194 Mr. {Gardner.} We would create American jobs  
1195 developing--

1196 Ms. {Gant.} Increased production of natural gas has led  
1197 to, yes, increased economic benefits.

1198 Mr. {Gardner.} And that would be a net benefit to the  
1199 United States economy?

1200 Ms. {Gant.} In our analysis to date, yes.

1201 Mr. {Gardner.} I thank the witness for her time.

1202 Mr. {Whitfield.} I might make just one comment  
1203 regarding the scenario of exporting gas to Russia, or North  
1204 Korea, or wherever, and maybe Dr. Gant can answer this  
1205 question, or maybe you can't, but the reason we have these

1206 hearings is to find out. But Mr. Doyle presented a pretty  
1207 dire--and many of us would agree with you. We wouldn't want  
1208 gas going to Russia, North Korea, some of these WTO  
1209 countries.

1210       It is my understanding that the Energy Policy Act of  
1211 1975 gave the President of the United States the authority to  
1212 prohibit export of natural gas to any country if they deemed  
1213 it should not be done. And I know the Gardner bill does not  
1214 amend that Act, but do you know personally if what I have  
1215 just said is accurate?

1216       Ms. {Gant.} Mr. Chairman, if you wouldn't mind, I would  
1217 rather take that question for the record--

1218       Mr. {Whitfield.} Yeah.

1219       Ms. {Gant.} --because I believe I know the answer--

1220       Mr. {Whitfield.} Okay.

1221       Ms. {Gant.} --but I would rather--

1222       Mr. {Whitfield.} All right.

1223       Ms. {Gant.} --not--

1224       Mr. {Whitfield.} Well, if you wouldn't mind getting  
1225 back in touch with our committee staff? Because it is our  
1226 understanding that that is the case, that the President could  
1227 intervene and prevent some of the scenarios that Mr. Doyle  
1228 talked about. But we want to make sure that that is  
1229 accurate. Okay. That concludes the first panel, and we

COMMITTEE: HOUSE ENERGY AND COMMERCE,  
SUBCOMMITTEE ON ENERGY AND  
POWER

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WITNESS: PAULA GANT  
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INSERT FOR THE RECORD

Section 103(a) of the Energy Policy and Conservation Act of 1975 (EPCA), 42 USC 6212, states that the President may, by rule, under such terms and conditions as he determines appropriate and necessary to carry out the purposes of EPCA, restrict exports of natural gas. Section 2 of EPCA, 42 USC 6201, identifies the following purposes of the statute: (1) to fulfill obligations of the United States under the international energy program; (2) to provide for the creation of a Strategic Petroleum Reserve; (3) to conserve energy supplies through energy conservation programs, and, where necessary, the regulation of certain energy uses; (4) to provide for improved energy efficiency of motor vehicles, major appliances, and certain other consumer products; (5) to provide a means for verification of energy data to assure the reliability of energy data; and (6) to conserve water by improving the water efficiency of certain plumbing products and appliances. In order to exercise the authority granted by section 103(a), therefore, it would have to be shown that the restriction on gas exports is to further these purposes of EPCA. Please note also that the authority to implement section 103(a) of EPCA has been delegated pursuant to Executive Order 11912 to the Secretary of Commerce.