Center for American Progress

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July 8, 2015

The Honorable Ed Whitfield
Subcommittee on Energy and Power
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Whitfield:

Thank you for the opportunity to testify on June 2, 2015 at the hearing titled "Quadrennial Energy Review and Related Discussion Drafts." My responses to the questions for the record are attached.

Sincerely,

Alison L. Cassady

Responses to Questions for the Record
Hearing on "Quadrennial Energy Review and Related Discussion Drafts" (June 2, 2015)

Alison L. Cassady
Center for American Progress
July 8, 2015

Questions from the Honorable Kathy Castor

1. **Under the current approval process for LNG exports, the Department of Energy has a tool to protect American consumers. That tool is the public interest determination. DOE has the ability to weigh the benefits and costs of additional LNG exports, including the impact of increased domestic natural gas prices on consumers who use gas to heat and cool their homes and to turn on the lights. How would the deadlines in section 3106 of the discussion draft impact DOE's ability to protect consumers?**

The United States is on-track to becoming a net exporter of natural gas. As of June 2015, the Department of Energy (DOE) had issued final authorizations to six facilities to export up to 8.61 billion cubic feet per day (Bcf/d) of LNG to both free-trade and non-free-trade countries. That's more than 11 percent of U.S. natural gas consumption in 2014. The DOE permit approval process seems to be working, which is why it is puzzling that the discussion draft seeks to fast-track DOE permit approvals.

Section 3106 sets a 30-day deadline—upon the completion of the environmental review under the National Environmental Policy Act—for the DOE to issue a final decision on any application for the authorization to export natural gas to a non-free trade country. CAP does not oppose LNG exports in principle, but we have concerns about placing arbitrary deadlines on DOE review of LNG export permit applications. While the 30-day timeline could be sufficient in some cases or even most cases, it may not be enough in all cases. In the cases where the 30 day deadline is not sufficient, it may be because the application is particularly complicated or controversial.

Overall, CAP cannot support efforts to expedite permit approvals for LNG exports if doing so could prevent the DOE from making a considered and well-informed decision about whether an application is in the public interest, including the interest of U.S. consumers.

2. **I understand the Center for American Progress recently did an analysis of the potential price impacts of legislative efforts to rapidly expand LNG exports.**

The full study, dated January 27, 2015 and titled "Potential Consumer Price Impacts of Efforts to Rapidly Expand Exports of Liquefied Natural Gas," is available on CAP's website at www.americanprogress.org.

   a. **What are the potential price impacts for residential consumers, if we were to greatly expand LNG exports?**

In 2014, the DOE asked the Energy Information Administration (EIA) to examine what effects higher levels of LNG exports could have on domestic natural gas prices. The EIA concluded cleary, "[i]ncreased LNG exports lead to increased natural gas prices." The EIA estimated that natural gas supply prices would rise an average of 4.3 percent to 10.6 percent over current projections for the 2015 to 2040 period, depending on the volumes of LNG exported. This is a simple matter of prices responding to rising demand.

This increase in the natural gas supply price translates into higher prices for consumers, including residential consumers. Residential consumers include those who use natural gas in private dwellings, including apartments, for heating, air-conditioning, cooking, water heating, and other household uses.

Under a scenario in which the United States significantly increases its LNG exports to 16 Bcf/day, residential consumers would pay 4.3 percent more per year on their natural gas bills by 2020 than current projections suggest. Increases in residential natural gas bills that year would be most significant in the East North Central and West North Central regions of the Midwest and the West South Central states of Arkansas, Louisiana, Oklahoma, and Texas. By 2040, residential natural gas bills would rise the most in the Middle Atlantic states—6.7 percent higher than current EIA projections. Under a more aggressive scenario in which the United States exports 20 Bcf/d, residential consumers in the Middle Atlantic states would pay 10 percent more per year by 2040 than currently projected. In New England, they would pay 7.4 percent more per year than currently projected.

   b. **What are the potential price impacts for industrial consumers, if we were to greatly expand LNG exports?**

Industrial consumers include those who use natural gas for heat, power, or chemical feedstock. Under a scenario in which the United States exports 16 Bcf/d of LNG, industrial consumers would pay 8.2 percent more per year on their natural gas bills by 2020 than what is currently projected. Increases in industrial natural gas bills that year would be largest in the West South Central states of Arkansas, Louisiana, Oklahoma, and Texas, as well as in the Mountain states of Arizona, Colorado, Idaho, New Mexico, Montana, Nevada, Utah, and Wyoming. Under the more ambitious scenario in which the United States exports 20 Bcf/d, industrial natural gas consumers in the Middle Atlantic states would pay 18.3 percent more per year than currently projected by 2040. In the New England states, they would pay 13.2 percent more per year.

As a result, it is not surprising that some manufacturers have voiced concerns about the potential economic impact of export policies that would raise natural gas prices. The Industrial Energy Consumers of America (IECA) has stated its strong opposition to LNG exports. In a January 2015 letter to President Obama, the organization highlighted the impact that rising natural gas prices may have on the competitiveness and profitability of certain U.S. manufacturers, such as those in the chemical and fertilizer industries that use natural gas as a raw material. IECA urged the DOE to exercise great caution when approving future LNG export applications.