



BIPARTISAN POLICY CENTER

**Testimony of Byron Dorgan on  
U.S. Energy Abundance: Exports and the Changing Global Energy Landscape**

Hearing of the House Subcommittee on Energy and Power  
May 7, 2013

Good morning. My name is Byron Dorgan. I served in the Senate, representing the people of North Dakota, from 1992 to 2011 and in the House, from 1981 to 1992. I thank members of the Subcommittee for the opportunity to return today to discuss America's rapidly changing energy situation and the issue of energy exports in particular. I am speaking to you today in my current position as a Senior Fellow of the Bipartisan Policy Center (BPC), a non-profit group dedicated to developing and advocating bipartisan solutions to some of our nation's most important challenges. At BPC I recently co-chaired an 18-month long project—called the Strategic Energy Policy Initiative—that aimed to assess our nation's current energy strengths and weaknesses and make comprehensive policy recommendations. The project was guided by a 20-member board that included leading energy experts from the private, public, and non-profit sectors. Much of my testimony today draws from the report we issued in February of this year, titled "*America's Energy Resurgence: Sustaining Success, Confronting Challenges*."<sup>1</sup>

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<sup>1</sup> A copy of the report is included with this testimony; it can also be accessed at [www.bipartisanpolicy.org](http://www.bipartisanpolicy.org).

The central “good news” finding from BPC’s Strategic Energy Policy Initiative is that the United States enters the 21<sup>st</sup> century in a position of energy strength. Domestic oil, natural gas, and renewable energy production are up, while energy imports are down; new energy development is driving a jobs boom in many parts of the country; and lower energy costs are helping the U.S. manufacturing sector recover. Many of these recent positive developments are linked to the advent of improved drilling technologies that have made it economical to access vast new reserves of hydrocarbons.

Just as important, our nation has made enormous gains in energy efficiency over the last 50 years. In fact, adjusting for economic growth and inflation, the United States has cut its energy needs by more than 50 percent since 1973, and this trend shows no signs of slowing. Put simply, the energy we’ve saved by becoming more efficient over the last 40 years exceeds all the new resources we’ve added to our portfolio of energy supplies. Thanks to this combination of positive supply *and* demand trends, our nation is arguably more energy secure than it has been in more than a generation.

Of course, that doesn’t mean our nation no longer faces any energy challenges. Many households and businesses still have difficulty meeting their energy needs affordably; the current oil and gas boom comes with environmental challenges; the electric grid faces hurdles in upgrading infrastructure and integrating new renewable sources; public research and development (R&D) in energy is insufficient to maintain an international competitive edge; we still haven’t reached consensus as a nation on how to

address the problem of climate change; and our economy remains exposed to instability and volatility in global energy markets.

Given these challenges, we believe the central task of federal energy policy is to build on America's enormous energy strengths to ensure that we can continue to deliver affordable, secure, and reliable energy in an environmentally responsible manner for decades to come. Specifically, my colleagues and I on BPC's Energy Board identified four core objectives for U.S. energy policy:

- (1) pursue a diverse portfolio of energy resources;
- (2) improve the energy productivity of the U.S. economy;
- (3) accelerate innovation and technology improvements across the energy sector;
- and
- (4) improve energy policy governance and accountability.

The specific policy actions we recommend to advance these objectives are detailed in our February report; in brief, they include further efforts to promote the environmentally responsible development of domestic resources including oil, natural gas, and renewables along with continued investment to further improve the energy productivity of the U.S. economy, advance new technologies to preserve a wide menu of energy options for the future (including clean coal and nuclear technologies), diversify fuel

options for the transportation sector, meet future energy-related workforce needs, and strengthen key infrastructure, particularly the U.S. electric grid.

Taken together, we are confident these actions will further improve our nation's energy security, strengthen the U.S. economy, and help us achieve our environmental goals.

The recent boom in domestic energy production, much of it linked to the advent of more sophisticated drilling technologies—such as hydraulic fracturing—that have made it economic to develop unconventional resources such as shale gas, is already spurring new investments and growth opportunities, particularly in industries that can take advantage of lower cost natural gas. It is also generating interest in new export opportunities—which are the focus of today's hearing.

In the last two years, in fact, expectations of liquefied natural gas (LNG) imports have given way to discussions of LNG exports. However, the prospect of greatly expanded LNG exports has also raised serious concerns among a number of analysts and policy makers who remember well the high natural gas prices of the 2000s and who worry that increased exports will drive up domestic natural gas prices. After reviewing several recent studies on the impacts of LNG exports, the BPC Energy Board concluded that domestic gas prices are more likely to drive export levels than exports are likely to determine domestic prices. Indeed, we concluded that LNG exports are likely to have at most a modest impact on domestic natural gas prices—LNG exports will adjust as U.S. prices rise or fall.

Moreover, abundant low-cost supplies abroad (particularly from Qatar) and the significant costs of liquefaction and transport from the United States will constrain U.S. export volumes. As long as state and federal regulators—along with both industry and stakeholders—continue to make strides to mitigate the environmental impacts of shale gas production, we believe the federal government should allow LNG exports.

This recommendation is consistent with a broader observation concerning U.S. export policy more generally: Even where controversy has surrounded a particular type of export, especially those with potential national security implications, the policy solution rarely has been to completely abandon the nation’s traditional commitment to free trade. In sum, we conclude that **restricting international trade in fossil fuels is not an effective policy to reduce global greenhouse gas emissions or to advance domestic economic interests, and we recommend against any such restrictions.**

This overarching recommendation also addresses the controversy that has arisen in connection with several proposals to build new bulk commodity export terminals that plan to export coal. Opposition to these proposals has been motivated by a combination of local concerns, including the potential for adverse impacts in terms of traffic, air quality, coal dust, and marine pollution.<sup>i</sup> However, the current rigorous permitting process can provide ample opportunity to identify and address local environmental concerns linked to the construction and operation of new export facilities in the United States.

Some of the opposition to expanded U.S. coal exports, however, is also motivated by a broader set of concerns, notably the concern that it would promote increased coal use in China and other growing markets and in turn lead to an increase in net global emissions of carbon dioxide. (Another concern is global emissions of mercury, which can be transported long distances in the atmosphere.) Recent analyses have come to different conclusions about the net effect of U.S. coal exports on international coal prices and global greenhouse gas emissions.<sup>ii</sup> Given the magnitude of global coal reserves relative to international demand, it is our view that U.S. coal exports would have only a minor influence on the global coal market, and that other countries will fill the gap if U.S. exports are limited. More importantly, as I have already stated, we do not believe that impeding the global trade of fossil fuels is an effective or efficient means of reducing global greenhouse gas emissions.

In sum, we believe that the opportunity to increase U.S. energy exports reflects one of the important economic upsides of our nation's newfound energy abundance. Provided appropriate regulatory protections and policy frameworks are in place to govern domestic energy production, expanded exports will improve the U.S. balance of trade, support local and regional economies, and increase the U.S. presence in global energy markets – and do so without harm to the environment or to U.S. consumers and businesses.

In closing, let me again thank the members of the Subcommittee for the opportunity to testify.

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<sup>i</sup> John Kitzhaber, *Oregon Governor John Kitzhaber to Secretary of the Army, Secretary of the Interior, U.S. Army Corps of Engineers, and Director of Bureau of Land Management*, August 25, 2012, [http://media.oregonlive.com/environment\\_impact/other/4%2025%2012\\_McHughSalazarCoalLetter%20%282%29.pdf](http://media.oregonlive.com/environment_impact/other/4%2025%2012_McHughSalazarCoalLetter%20%282%29.pdf).  
<sup>ii</sup> Energy Policy Research Foundation, Inc., *The Economic Value of American Coal Exports*, August 2012, <http://eprinc.org/?p=929>; Thomas M. Powers, *The Greenhouse Gas Impact of Exporting Coal from the West Coast: An Economic Analysis*, <http://www.sightline.org/wp-content/uploads/downloads/2012/02/Coal-Power-White-Paper.pdf>.