AMERICAN PUBLIC GAS ASSOCIATION

June 16, 2011

The Honorable Fred Upton
Chairman
House Energy and Commerce Committee
2183 Rayburn House Office Bldg
Washington, D.C. 20515

Dear Chairman Upton:

On behalf of the American Public Gas Association (APGA), I want to call your attention to an issue of serious concern: the likely exportation of very large quantities of domestically-produced natural gas in the form of Liquefied Natural Gas (LNG). Three applications for export of LNG have been filed at the Department of Energy (DOE), by Sabine Pass and Lake Charles Exports in Louisiana and by Freeport LNG in Texas,[1] one of which has already been granted,[2] with many more export applications expected to be filed. Just the volumes involved in the three enumerated applications (some 40 million metric tons per year) would make the United States the second largest exporter of LNG in the world. Exportation of significant quantities of natural gas has potentially serious adverse implications for U.S. national security and for domestic consumers of natural gas.

APGA is the national association for publicly-owned natural gas distribution systems. There are approximately 1,000 public gas systems in 36 states and over 700 of these systems are APGA members. Publicly-owned gas systems are not-for-profit, retail distribution entities owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities.

Over the past several years, technological advances in natural gas drilling techniques have made access to vast domestic natural gas reserves possible. Assuming that the environmental concerns associated with the new drilling technology are overcome, which seems likely, the energy landscape of the U.S. will have been unquestionably and forever altered. The U.S. now has a window of opportunity to implement its long-declared (but never seriously pursued) policy of striving towards energy independence - a clearly and recently articulated goal of the Obama (and many prior) administrations - and thereby to fundamentally transform key variables affecting both our national security and economy.

The pursuit of energy independence requires that the United States wean itself off of imported oil, which accounts for approximately 50% of our domestic use. The two major consumers of foreign oil in the United States are the transportation sector and the industrial sector. By converting commercial vehicles to the use of compressed natural gas (another policy favored by the Administration) and recognizing the significant increase in natural gas for electric

[1] *Sabine Pass,*, FE Docket No. 10-111-LNG; *Freeport LNG,* FE Docket No. 10-161-LNG; and *Lake Charles Exports,* FE Docket No. 11-59-LNG.
[2] *Sabine Pass*, DOE/FE Order No. 2961 (May 20, 2011).

201 Massachusetts Avenue, NE
Suite C-4
Washington, DC 20002

202.464.2742 (tel)
202.464.0246 (fax)
www.apga.org

generation where that makes sense (for example, to firm up power for intermittent renewable resources), the United States can take giant steps towards energy independence (and clean air). However, to accomplish this goal, natural gas in the United States must remain plentiful and reasonably priced. The export of large quantities of domestic gas threatens both of these fundamental predicates.

Today U.S. consumers enjoy natural gas prices that are the product of both the new available supplies of natural gas and the fact that our natural gas market is largely limited to North America. At these prices, natural gas vehicles are price competitive with gasoline, and natural gas is also replacing coal and oil for electric generation both because of price and its clean-burning characteristics. If this trend is permitted to continue, then there is light at the end of the energy independence tunnel.

By contrast, the large-scale export of natural gas via LNG will not only play havoc with the current supply/demand situation (and hence the price of natural gas) but also, because the price of LNG abroad is tied to the international oil market, will inevitably link the domestic price of natural gas to international oil markets, which are substantially more volatile and less transparent than our domestic market. The effect of this on the domestic price of natural gas (and hence on efforts to broaden the use of natural gas to displace foreign oil) is as self-evident as it is self-defeating. Moreover, since commodities such as natural gas are sold where the price is the highest, irrespective of national boundaries, and since many foreign nations have substantially higher prices for natural gas, U.S. natural gas would likely flow abroad in times of shortage, further increasing prices for domestic consumers and further undermining efforts to maintain domestic gas prices at competitive levels.

APGA is not anti-free trade, but when important policies collide, nations must make choices. APGA submits that the wise policy choice at this critical time in our history is to limit exports of natural gas so that we may realistically pursue the greater goal of energy independence. Those who argue that this matter is not an either-or situation are wagering our long-term national well-being on short-term profits.

I respectfully urge you and the House Energy and Commerce Committee to carefully consider the adverse impact of exporting LNG on domestic energy policy and on the Nation's gas consumers. I thank you in advance for your consideration, and I look forward to working with you on natural gas issues.

Sincerely,

Bert Kalisch
President & CEO