AMERICAN PUBLIC GAS ASSOCIATION

April 28, 2014

The Honorable Henry Waxman
Ranking Member
Committee on Energy and Commerce
Washington, DC 20515

Dear Ranking Member Waxman:

The American Public Gas Association (APGA) strongly opposes The Domestic Prosperity and Global Freedom Act, H.R.6. Though well intentioned, this legislation will fail to achieve its desired purpose of reducing Ukraine and other Eastern European nations' dependence on Russian natural gas and will increase the price of our domestic natural gas here at home hurting homeowners' budgets and businesses' bottom lines.

APGA is the national association for publicly-owned natural gas distribution systems. There are approximately 1,000 public gas systems located in 37 states. 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.

H.R. 6 will not ensure that Ukraine or any other country that is heavily dependent upon Russian energy will ever receive U.S. natural gas, much less receive it in a timely fashion. This is due to the fact that U.S. liquefied natural gas (LNG) exports, which cannot occur until the necessary export facilities are constructed later in this decade, will be sold by private firms to the highest bidder without any consideration of U.S. geopolitical interests. Natural gas exports will be sold wherever these firms can obtain the highest price. Exporting firms answer to dollars, not diplomats.

Proof of this assertion can be found in the already approved applications for export of natural gas to non-free trade agreement (FTA) countries. The seven approved applications have finalized contracts or are being negotiated to sell U.S. gas to Japan, South Korea, and India. Since the goal of profit maximization applies to all pending non-FTA export applications, any future exports will also go where the price is highest regardless of U.S. geopolitical interests

Even in the unlikely event that the international market for natural gas dictated that the price is highest in Ukraine, LNG exports from the U.S. would not arrive there for several years at the earliest, which is well beyond the necessary timeframe for the assisting them during their current crisis. This is in part because Ukraine, unlike its likely Asian competitors, currently has no LNG import facilities or plans for such, and therefore no capacity to receive U.S. gas in the near future. And the recent Russian takeover of the Crimean region on the Black Sea diminishes the likelihood that LNG import facilities will ever be built by Ukraine.

It is certain, however, that if H.R. 6 is passed, the regular order of non-FTA export consideration and evaluation of the public interest—even if cursory and currently unsatisfactory— will not occur. Instead, the process to export will be rushed with no consideration of the potential negative impacts on the American public, U.S. energy prices or on the U.S. economy.

Moreover, the price consumers pay for natural gas will increase, as has been established by every study on the impact of exports. Increased energy prices harm homeowners by reducing their disposable income, hitting hardest those who can least afford it, the poor and the elderly. Businesses will also be harmed by the increase in the price of natural gas because increased energy costs reduce their competitiveness, whether they serve their local community or consumers around the globe.

There is an approach that accomplishes Representative Gardner's (R-Co.) well intentioned outcome without the various downsides and risks that are associated H.R. 6. The United States should be exporting the drilling technology that has enabled producers in our country to tap into our huge shale reserves. There are likewise vast shale reserves in Europe, including the Ukraine, assuming the World Trade Organization (WTO) countries are willing to invest in the technology to access those reserves and also to permit drilling for shale gas reserves. There is certainly no good reason why the U.S should undertake a domestic LNG export policy that has numerous downsides for American gas consumers when many of the very countries we seek to help are capable of helping themselves by accessing their own domestic shale gas reserves.

In lieu of exporting our affordable premium fossil fuel, Congress should focus on adopting policies that encourage greater domestic demand for natural gas and greater emphasis on exporting drilling technology to WTO and other countries that have the capability to access natural gas reserves. It is a much better choice, in both the short and long term, to accelerate the transition in the United States from imported oil to domestic natural gas to fuel our transportation sector, revitalize our manufacturing industry, and improve our balance of trade.

Thank you for your consideration of our views. We stand ready to work with you on this issue and we look forward to working with you on the serious energy challenges that face our country.

Sincerely,

Bertram Kalisch

Bert Kalisch
President & CEO