



AMERICAN PUBLIC GAS ASSOCIATION

July 30, 2014

Senator John McCain
241 Russell Senate Office Building
Washington, DC 20510

Dear Senator McCain,

On behalf of the American Public Gas Association (APGA), I write to express our opposition to your recently introduced legislation, the North Atlantic Energy Security Act. While APGA supports increasing domestic production of clean, abundant, natural gas, we are opposed to efforts to expedite the export of liquefied natural gas (LNG). Expanding LNG export capabilities beyond countries that the United States has a free trade agreement with will increase the domestic price of natural gas, endanger the ongoing domestic manufacturing renaissance, and unfortunately fall short of the intended diplomatic goals. Increased production helps to advance the U.S. on the path to energy independence; however, any plan to approve the export of LNG may derail both our country's economic recovery and quest for energy independence.

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

The goal of expediting approval of LNG exports to Japan, Ukraine, and NATO allies is rooted in good intentions. Helping our foreign allies break free from their dependence on energy sources from hostile nations, such as Russia and Iran, is a noble goal, and one that should be actively pursued with effective policies. But it should not be pursued through fruitless policies at the direct expense of American small businesses, families, and manufacturers, who will be most affected by your legislation.

Over 40 applications for the export of LNG have been filed at the Department of Energy, with a total export capacity of 35.95 Bcf/day¹. If all of these projects were to be constructed, daily U.S. production of natural gas would have to increase by almost 55 percent to accommodate the demand from foreign countries. Common sense and simple economics dictate that this large-scale export of natural gas will cause the domestic price of natural gas to significantly increase.

¹ United States Department of Energy
<http://energy.gov/sites/prod/files/2014/06/f16/Summary%20of%20LNG%20Export%20Applications.pdf>

Winter 2014 was a prime example of the need to ensure that natural gas is not only accessible, but also affordable for people who rely on it for heating. Because exports decrease the domestic supply of gas, economics dictates that the price of natural gas will rise. This fact is confirmed by every study on the issue.

In a similar manner, the laws of basic economics confirm that your legislation will not help U.S. allies. Your legislation does not mandate that LNG be exported to Japan, Ukraine, or NATO allies. It only allows those specified countries to be able to receive LNG exports in the same manner as countries that the U.S. has a free trade agreement with are treated. Private companies are driven by profit, so they will therefore sell to the highest bidder in the marketplace, and according to the most recent data, the highest global price for LNG is in the Asian markets, as these countries will pay the most money to import LNG. LNG exported from the U.S. will naturally go to the Asian market, and the greatest return on investment can be made. This anticipated result essentially defeats the legislative intent of ensuring that U.S. LNG is received by our foreign allies dependent upon Russian gas.

Rather than exporting LNG, the U.S. should work with our allies to export production technology and best practices, so our allies can develop their own energy resources, and secure their own energy independence. Many NATO allies, such as Germany, the United Kingdom, and Poland all sit on top of large shale gas formations that could be explored and developed. The U.S. is in a strong position to lend technical assistance, as well as knowledge and best practices, to our partners and allies so they can achieve these goals. These countries should be encouraged to develop their own resources. American citizens should not be forced to pay higher energy prices because our foreign allies refuse to utilize their own energy resources. Bailing out foreign nations through an energy tax because of their poor policy choices is not an acceptable solution.

APGA strongly believes that the U.S. is at a crossroads. Natural gas has a tremendously important role to play in keeping energy prices affordable for U.S. consumers, reducing our dependence on foreign oil, and reviving domestic manufacturing. No matter how well-intentioned, exporting LNG threatens those three objectives in the name of short-term profits for investors of LNG export projects and for producers as a result of the projected price increases with which we will be hit.

We thank you for your consideration of our views, and strongly urge you to amend your legislation to protect American businesses and families from an increase in their energy costs as a result of expedited LNG export

Sincerely,



Bert Kalisch
APGA President and CEO