American Public Gas Association

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EIA Study Supports APGA's Arguments Against the Export of LNG

Washington, D.C. (January 19, 2012) – Today, the Energy Information Administration (EIA) released a report entitled "Effect of Increased Natural Gas Exports on Domestic Energy Markets," that affirms several arguments the American Public Gas Association (APGA) has raised since the first export application was filed in 2010. Key findings of the report include:

- **Increased natural gas exports lead to increased natural gas prices.** Larger export levels lead to larger domestic price increases, while rapid increases in export levels lead to large initial price increases that moderate somewhat in a few years. Slower increases in export levels lead to more gradual price increases but eventually produce higher average prices during the decade between 2025 and 2035.
- **Natural gas markets in the United States balance in response to increased natural gas exports largely through increased natural gas production.** Increased natural gas production satisfies about 60 to 70 percent of the increase in natural gas exports, with a minor additional contribution from increased imports from Canada. Across most cases, about three-quarters of this increased production is from shale sources.
- **The remaining portion is supplied by natural gas that would have been consumed domestically if not for the higher prices.** The electric power sector accounts for the majority of the decrease in delivered natural gas. Due to higher prices, the electric power sector primarily shifts to coal-fired generation, and secondarily to renewable sources, though there is some decrease in total generation due to the higher price of natural gas. There is also a small reduction in natural gas use in all sectors from efficiency improvements and conservation.
- **Even while consuming less, on average, consumers will see an increase in their natural gas and electricity expenditures.** On average, from 2015 to 2035, natural gas bills paid by end-use consumers in the residential, commercial, and industrial sectors combined increase 3 to 9 percent over a comparable baseline case with no exports, depending on the export scenario and case, while increases in electricity bills paid by end-use customers range from 1 to 3 percent. In the rapid growth cases, the increase is notably greater in the early years relative to the later years. The slower export growth cases tend to show natural gas bills increasing more towards the end of the projection period.
- **Rapid increases in export levels lead to large initial price increases that would moderate somewhat in a few years.** In the high/rapid growth scenario (which phases in 12 Bcf/d of exports over four years), wellhead prices are about 36 percent higher (i.e., an increase of $1.58/Mcf) in 2018 than in the no-additional-exports scenario. But the differential falls below 20 percent by about 2026. The sharp projected price increases during the phase-in period reflect what would be needed to balance the market through changes in production, consumption, and import levels in a compressed timeframe.

In response to the numerous LNG applications filed, APGA has testified before Congress and communicated to various regulatory agencies arguing that the export of LNG is not in the best interests of natural gas consumers or our country. Today, natural gas prices are affordable, competitive, and stable, in contrast to the situation just a few years ago. As demonstrated by the EIA report, the export of LNG will drive up natural gas, as well as electricity prices, which will in turn harm consumers. In addition, given the nation's current domestic natural gas supply landscape, the United States has a unique window of opportunity to reduce its energy dependence. Creating a highway that allows domestically produced natural gas to flow to where the price is highest will squander this critical opportunity. APGA strongly urges policymakers to consider this important EIA report as they debate and consider the export of LNG.

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APGA is the national association of municipally and publicly-owned local distribution systems. There are about 1000 public gas systems serving more than five million customers. These public gas utilities are not-for-profit retail distribution entities that are 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.