



AMERICAN PUBLIC GAS ASSOCIATION

March 14, 2013

Honorable Edward J. Markey
Ranking Member
House Natural Resources Committee
U.S. House of Representatives
Washington, D.C. 20515

Honorable Rush Holt
Member
House Natural Resources Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Ranking Member Markey and Representative Holt:

On behalf of the American Public Gas Association (APGA), I would like to express our strong support for your recently introduced legislation entitled the, *American Natural Gas Security and Consumer Protection Act*. This legislation prohibits the export of domestically-produced liquefied natural gas (LNG) from the United States pending the issuance of regulations setting the parameters of the public interest determination and a thorough public interest review by the Secretary of Energy of each export application. I commend you for your efforts to protect natural gas consumers of all types.

APGA is the national association for publicly-owned natural gas distribution systems. There are currently approximately 1,000 public gas systems located in 36 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.

Over the past several years, technological advances in natural gas drilling techniques have made access to potentially vast domestic natural gas reserves possible. The U.S. now has a window of opportunity to implement its long-declared policy of striving towards energy independence 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 45% 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 vehicles to the use of compressed natural gas and recognizing the significant increase in natural gas for electric 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 reducing greenhouse gas emissions.

However, to accomplish this goal, natural gas in the United States must remain plentiful and reasonably priced. Today, U.S. consumers enjoy natural gas prices that are the product of both the newly accessible supplies of natural gas and the fact that our natural gas market is largely limited to North America. At current prices, natural gas vehicles are price competitive with gasoline, and natural gas is also replacing coal 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.

As you both are well aware, numerous applications for export of LNG have been filed at the Department of Energy (DOE). Several of these applications have already been granted and more may be approved in the coming months. If all of the pending applications were to be approved (totaling 29.69 BCF/day) U.S. daily production of natural gas would have to increase by almost 45 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.

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 geopolitical interests, 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 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. We believe that the only way to achieve these critical national goals is to guarantee that the domestic price impact concerns of homeowners and businesses are taken into account as a part of the public interest review process before we export away our invaluable domestic gas resources.

On behalf of APGA, thank you both for leadership on this critical issue. We look forward to working further with you on this and other natural gas consumer issues.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bert Kalisch". The signature is fluid and cursive, with the first name "Bert" and last name "Kalisch" clearly distinguishable.

Bert Kalisch
President & CEO