American Public Gas Association

June 25, 2014

The Honorable Mark Udall
Member
Senate Energy Committee
Washington, DC 20510

The Honorable Mary Landrieu
Chair
Senate Energy Committee
Washington, DC 20510

Dear Senator Udall and Chair Landrieu,

On behalf of the American Public Gas Association (APGA), I would like to express our opposition to your recently introduced legislation, The Natural Gas Export Promotion Act of 2014. This bill to expedite the export of domestically-produced natural gas in the form of liquefied natural gas (LNG) will increase energy prices for domestic consumers, harm our best opportunity to reduce our dependence on foreign oil, and squander the manufacturing renaissance.

APGA is the national association for publicly-owned natural gas distribution systems. There are currently 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.

The impact of exporting U.S. LNG is clear. As every study on the issue has shown, exporting LNG increases the domestic price of natural gas. This means that whether you are a homeowner, small business, or large industrial enterprise, exporting LNG increases the prices you pay for not just energy but also for all goods and services that have the cost of energy built into them.

The Natural Gas Export Promotion Act would only exacerbate this price impact by forcing the Department of Energy (DOE) to make a decision on whether or not an export application to a non-free trade agreement (FTA) country is in the public interest within 45 days after the National Environmental Policy Act (NEPA) review is completed at the Federal Energy Regulatory Commission (FERC). This compressed timeframe will not allow DOE to conduct a thorough public interest determination on whether the application will harm U.S. consumers, the economy, or national security. In effect, DOE will be forced to hastily consider each application and either support or deny it. However, given that the law governing the export of LNG to non-FTA countries already assumes that an application is in the public interest, this will likely be little

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more than an expedited rubber stamp process. Exports will therefore occur no matter how high the domestic price may rise.

As you know, increased energy prices can have a devastating impact on consumers. An increase in consumer energy bills for natural gas and electricity reduces consumers' disposable incomes. This in turn limits families' abilities to purchase other essential goods such as food or medicine.

The price increases resulting from exports will have similarly devastating impact on the U.S.'s best chance to reduce its dependence on foreign oil through natural gas vehicles (NGVs). Despite some progress in reducing our dependence on foreign oil, the U.S. imports nearly 40 percent of the oil we consume, which negatively impacts our balance of trade and our national security due to imports from hostile or unstable regimes. NGVs are the solution to our oil dependence issue by providing affordable, clean burning, domestically-sourced fuel for every vehicle class. The national average price for a gasoline gallon equivalent (GGE) of compressed natural gas (CNG) is $2.15, a savings of $1.50/gallon versus gasoline, leading to substantial savings for NGV owners.

However, this $1.50 price advantage is directly threatened by exports and the expediting of exports that will result from the Natural Gas Export Promotion Act. As the domestic price of natural gas increases due to exports, which is very likely to happen given the inadequate DOE review process proposed under the bill, the $1.50/gallon advantage begins to shrink. For individual consumers considering an NGV, this means the payback period for the incremental cost of their NGV is extended, potentially making the switch economically infeasible and highly unlikely to occur. Simultaneously, for the country as a whole, this means that our dependence on foreign oil is not reduced because consumers will stay with gasoline-powered vehicles rather than switching to NGVs.

Similarly, expedited exports of LNG threaten the ongoing manufacturing renaissance. Since 2010, the manufacturing sector has added almost 600,000 jobs thanks in part to America's abundant and affordable natural gas. Moreover, the outlook for manufacturing jobs is even brighter as a study from the Boston Consulting Group concluded that affordable natural gas could create another 5 million manufacturing jobs by 2020. However, because many manufacturers are highly natural gas intensive and almost all are highly energy price sensitive, this vital job creation could be threatened by LNG exports. If exports drive prices to unaffordable levels, rather than re-shoring jobs here in the U.S. manufacturers will likely revert back to offshoring good paying jobs to our economic competitors around the world.

Instead of exporting our natural gas, Congress should adopt policies that encourage greater domestic demand for it and should put a greater emphasis on exporting drilling technology to other countries that have natural gas reserves. Rather than export gas, it is a much better choice, to accelerate the transition in the United States from imported oil to domestic natural gas to fuel our transportation sector and revitalize our manufacturing industry.

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,

Bert Kalisch
President & CEO