



AMERICAN PUBLIC GAS ASSOCIATION

March 12, 2014

The Honorable John Barrasso
U.S. Senator
307 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Barrasso,

On behalf of the American Public Gas Association (APGA), I would like to express our opposition to the amendments you plan to propose to the Ukraine Aid package that would expedite the export of liquefied natural gas (LNG) to Ukraine, all members of the North Atlantic Treaty Organization (NATO), and other countries. Though these amendments are intended to reduce the dependence of these countries on Russian natural gas by granting them free trade agreement (FTA) status with respect to natural gas, there is no guarantee that U.S. gas will be sold to any of the intended recipients.

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.

As communicated earlier, the stated goal of your amendments is to reduce the dependence of Ukraine, NATO allies, and other countries on Russian natural gas. The dependence of these countries on Russian gas leaves them vulnerable to Russian intervention with respect to these countries' economic and political security and as recent events have demonstrated in Ukraine, their territorial integrity.

The amendments you have proposed, however, will not ensure that the specified countries will receive U.S. natural gas, meaning that the goal of your legislation is highly unlikely to be achieved. This is due to the fact that U.S. gas will be sold by private firms to the highest bidder without any consideration of U.S. geopolitical interests. Wherever

these firms can obtain the highest price for natural gas, is where the gas will be sold. Exporting firms answer to dollars, not to diplomats or members of Congress.

Proof of this assertion can be found in the already approved applications for export of natural gas to non-FTA countries. The six 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 and not where U.S. geopolitical interests may wish them to be sent.

Even if the international market for natural gas dictated that the price is highest in Ukraine, for example, LNG exports from the U.S. would not arrive there for several years at the earliest, well beyond the likely timeframe for the crisis that is currently enveloping the country. In addition, Ukraine currently has no LNG import facilities and therefore no capacity to receive U.S. gas in the near future.

It is certain that if these amendments are 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 impacts on U.S. energy prices or on the U.S. economy, which is not a wise way to develop public policy.

If your amendments are passed, 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, of particular concern for the poor and the elderly. Businesses will also be harmed by the increase in the price of natural gas as increased energy costs reduce their competitiveness whether they serve their local community or consumers around the globe.

APGA strongly believes that natural gas has a critical 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, the projected price increases of exporting LNG threatens those three objectives in the name of short-term profits for LNG export investors and producers.

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

For all of the above reasons, which we would be pleased to discuss with you, APGA urges you to reconsider your position and to withdraw your proposed amendments.

I thank you for your time and consideration.

Sincerely,

A handwritten signature in blue 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