Industrial Energy Consumers of America (IECA)

The Voice of the Industrial Energy Consumers

1050 Connecticut Avenue, NW, Suite 500 • Washington, D.C. 20036
Telephone (202) 223-1420 • www.ieca-us.org

July 30, 2024

The Honorable Joe Manchin
Chairman
Committee on Energy and Natural Resources
U.S. Senate
Washington, DC 20510

The Honorable John Barrasso
Ranking Member
Committee on Energy and Natural Resources
U.S. Senate
Washington, DC 20510

Re: Manufacturers Oppose Title VI – Liquefied Natural Gas Exports / S.4753, The Energy Permitting Reform Act of 2024

Dear Chaiman Manchin and Ranking Member Barrasso:

There are 39 states that do not produce sufficient volumes of natural gas to supply their state's demand and all can be impacted by surging LNG exports. We urge all of them to oppose Title VI for the five reasons described below. They are California, Florida, New York, Illinois, Michigan, Indiana, Georgia, New Jersey, North Carolina, Alabama, Virginia, Wisconsin, Mississippi, Minnesota, Arizona, Tennessee, Massachusetts, Iowa, Washington, South Carolina, Connecticut, Missouri, Nevada, Maryland, Kentucky, Oregon, Nebraska, Kansas, Idaho, Rhode Island, South Dakota, Delaware, New Hampshire, Maine, Montana, Utah, Vermont, Alaska, and Hawaii.[1]

On behalf of the member companies of the Industrial Energy Consumers of America, we strongly urge you to oppose Title VI, Liquified Natural Gas Exports. Among other things, Title VI mandates the U.S. Department of Energy (DOE) to use macroeconomic models to determine if increased export volumes are in the public interest. Doing so will result in carte blanche approvals of all LNG export requests.

One hundred percent of IECA member companies are from the manufacturing sector and their competitiveness is dependent upon the affordability of natural gas and electricity. The

[1] 39 States are Dependent Upon Supply of Natural Gas from Other States – Will be Impacted by LNG Exports, https://www.ieca-us.org/wp-content/uploads/State-Natural-Gas-Consumption-vs-Production_02.02.23.pdf

manufacturing sector consumes 26 percent of the U.S. natural gas and 25 percent of electricity.

First, the DOE has already approved volumes equal to 48 percent of the 2023 net supply[2] of natural gas, which is a significant volume. Therefore, there is no justification for Title VI. In 2023, only 31 percent of U.S. crude oil production was exported.[3] Increased LNG exports, especially in the winter, exert upward pressure on U.S. natural gas and electricity prices when U.S. inventories are low. We have lower inventories than the previous year 51 percent of the time.[4]

Importantly, increasing export capacity increases the risk that the U.S. price will become attached to the much higher global price, like crude oil is today. This is what happened in Australia, the largest LNG exporter before the U.S. overtook them. This is the unstated goal of the oil and gas industry because when that happens, the price of natural gas in the U.S. increases and their profitability increases by tens of billions per year at the expense of all residential, commercial, and industrial consumers of natural gas in the U.S.

Second, Section 602's Supplemental Reviews provision mandates use of macroeconomic studies that are unable to model everyday short-term issues that have very significant impacts to natural gas and electricity prices. A simple example is the fact that LNG export's highest demand is during the winter months when we have our highest demand.[5] As additional LNG capacity is added, the winter LNG export peak demand increases putting increased upward pressure on domestic prices, especially when we have low inventories. This is what happened during the winter of 2021-2022 when inventories were below normal and that resulted in monthly average natural gas prices increasing from $2.00 MMBtu to $8.40 MMBtu and electricity prices increased 30 percent.

Macroeconomics cannot model, for example, very cold (Uri) or very hot weather that draws down inventory levels, insufficient pipeline capacity to serve both domestic and LNG export demand (a current problem) and decreases in production (production declined in 3 of the last 9 years),[6] due to a myriad of issues.

Third, Title VI does not include consumer protections. For crude oil and gasoline, the U.S. has a Strategic Petroleum Reserve. There is no such comparable natural gas reserve

---

[2] LNG, Federal Energy Regulatory Commission, https://www.ferc.gov/natural-gas/lng
[3] Petroleum & Other Liquids, U.S. Energy Information Administration, https://www.eia.gov/petroleum/
[4] Natural Gas, U.S. Energy Information Administration, https://www.eia.gov/naturalgas/
[5] Import/Exports, Natural Gas, U.S. Energy Information Administration, https://www.eia.gov/naturalgas/data.php#imports
[6] Production, Natural Gas, U.S. Energy Information Administration, https://www.eia.gov/dnav/ng/ng_prod_sum_a_EPG0_FPD_mmcf_a.htm

to protect consumers. For this reason, IECA has advocated for the DOE to establish an LNG Inventory Policy to insulate the U.S. market from LNG export impacts.[7]

Fourth, large LNG export volumes are inconsistent with a vibrant manufacturing sector that seeks to reshore jobs and investment. Increased LNG exports have the potential to threaten the competitiveness of 13 million manufacturing jobs for the sake of 347.6 thousand oil and gas industry jobs.[8] Other LNG exporting nations do not have a large manufacturing base and do not have this concern.

Fifth, there are 75 of 127 million households and over 300,000 factories[9] that use natural gas and do not have an alternative. Unlike gasoline, it cannot be imported if prices increase. As government officials, you have a responsibility to protect captive consumers.

The hallmark of sound and reasoned energy policy, including LNG export policy, is that it should not have a negative impact on domestic consumers of natural gas and electricity, supply chains, and national security. In the case of LNG exports, we should export, but not volumes that threaten domestic consumers and national security and not without consumer protections. Every $1 per MMBtu increase in the price of natural gas adds $34.2 billion in annual costs to domestic consumers, plus the increased cost of electricity. Therefore, we urge you to remove Title VI from S. 4753.

Sincerely,

Paul N. Cicio
Paul N. Cicio
President & CEO

cc: U.S. Senate
The Honorable Jennifer Granholm
Federal Energy Regulatory Commission

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.3 trillion in annual sales, over 12,000 facilities nationwide, and with more than 1.9 million employees worldwide. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum,

[7] IECA LNG Inventory Policy, https://www.ieca-us.com/wp-content/uploads/02.05.24_LNG-Inventory-Policy.pdf
[8] National Employment, U.S. Bureau of Labor Statistics, https://www.bls.gov/ces/
[9] U.S. Bureau of Labor Statistics, https://www.bls.gov/

paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, consumer goods, building products, automotive, independent oil refining, and cement.