



INGAA Position Paper Natural Gas Exports

INGAA supports maintaining the current U.S. legal and regulatory framework for LNG exports, which will contribute to the ongoing development of domestic energy resources, as well as stable natural gas prices. Markets, governed by existing law, should guide the expansion of U.S. natural gas exports.

Current law already provides for a thorough review of natural gas exports to determine if such exports are in the “national interest.” The U.S. Federal Energy Regulatory Commission is the lead federal agency that evaluates the environmental and socioeconomic impacts of LNG projects, while the U.S. Department of Energy is responsible for granting the authority to export natural gas abroad. When DOE considers a request to export LNG, it must determine whether the proposed export is in the public interest.

While free trade agreements govern most of the existing North American trade, the Natural Gas Act requires a “national interest” determination for any exports not covered under a free trade agreement. Current law provides an additional layer of government review not in place for exports of many other energy products, including coal and refined petroleum products.

Robust international trade across the North American pipeline infrastructure has been a hallmark of U.S., Canadian and Mexican natural gas markets for several decades. The U.S. hosts 48 natural gas pipelines, including those owned and operated by INGAA member companies, that can import or export up to 28 billion cubic feet (Bcf) per day across its borders with Canada and Mexico. Natural gas historically has been imported as liquefied natural gas (LNG) into eight coastal LNG facilities, and has been exported from one Alaskan facility for more than four decades.

U.S. natural gas production is growing rapidly due to the rising productivity of new shale basins, and is projected to meet increasing domestic demand at stable and historically moderate prices. Growth of shale gas production has rapidly outpaced projections in recent years. Production is estimated to increase 38 Bcfd by 2035, more than enough to cover U.S. consumption, including projected demand growth from electric generation as high as 26 Bcfd.¹ A 2011 National Petroleum Council report showed that even if natural gas demand grew to the highest potential levels – which would include vehicle conversions to natural gas, exports to Mexico and LNG exports on top of dynamic gas growth in the

¹ *North American Natural Gas Midstream Infrastructure Through 2035: A Secure Energy Future*, Executive Summary, June 28, 2011, The INGAA Foundation, pp. 3-4

power-generation and industrial sectors – supply would be plentiful to meet domestic demand.²

The promise of America's natural gas resources is tremendous, and expanding domestic markets into sectors such as transportation will require significant investments and long lead times. In the meantime, U.S. natural gas production is growing at twice the rate of domestic demand³, resulting in excess supplies and historically low prices, which have caused many U.S. natural gas producers to announce plans to shut-in producing gas wells and further reduce investments in natural gas development.

While concerns have been raised regarding the potential for price increases resulting from exports, current limits on market access could also create price volatility, hampering future industry investment, curbing America jobs, royalties and economic development. LNG exports would expand markets and enable the domestic natural gas industry to invest with confidence for the future. The U.S. Energy Information Administration has predicted that aggressive growth in LNG exports from the U.S. would result in a modest 3-9 percent increase in natural gas prices, and a 1-3 percent increase in electricity prices.⁴ Other studies have predicted an even smaller 1.7 percent increase in natural gas prices resulting from 6 Bcf/d of LNG exports.⁵

Many experts believe the LNG export market is likely to remain modest because of the high capital costs to develop LNG export facilities and related infrastructure, plus the expense to liquefy and transport natural gas in ocean-going tankers. Even at small levels, LNG exports could benefit the nation. At a time when the U.S. has been importing increasing amounts of goods and materials from abroad, LNG exports provide an opportunity to help whittle away the U.S.' huge trade deficit. LNG exports also would be consistent with President Obama's initiative announced in December 2010 to promote exports of clean energy. Continuing to permit a broad range of uses for U.S. natural gas, including exports, will contribute to U.S. economic growth, job creation and energy security. Energy infrastructure supports thousands of professional jobs in construction, and thousands of additional jobs in the manufacturing sector.

INGAA supports the continued prudent and environmentally responsible development of U.S. natural gas resources. Exports, governed by existing law, can make a significant positive contribution to this development.

² *Prudent Development – Realizing the Potential of North America's Abundant Natural Gas and Oil Resources*, 2011, National Petroleum Council, p. 19

³ Energy Information Administration Annual Energy Outlook, 2012 (Early Release Overview), <http://www.eia.gov/forecasts/aeo/er/pdf/tbla1.pdf>

⁴ *Effect of Increased Natural Gas Exports on Domestic Energy Markets*, as requested by the Office of Fossil Energy, U.S. Energy Information Administration. January 19, 2012. <http://www.eia.gov/analysis/requests/fe/>

⁵ *Made in America. The Economic Impact of LNG Exports from the United States*, Deloitte Center for Energy Solutions and Deloitte MarketPoint LLC

Key Points:

- Broad use of natural gas, including exports, contributes significantly to the U.S. economy and economic growth.
- Exporting natural gas creates and supports thousands of jobs both in the extraction of natural gas and in infrastructure to move and store the gas like pipelines and export terminals.
- The free market system, overseen by regulators, should govern the development of natural gas exports.
- The national interest review process in place under current law for natural gas exports to non-FTA countries appropriately balances the interests at stake in an export application.
- Natural gas exports have a positive impact on the U.S. trade deficit and balance of trade.
- Natural gas exports can help to stabilize prices for natural gas customers through continued development of the natural gas resource in the U.S.
- Shale gas development has resulted in significant new natural gas reserves that are easily expanded; enough natural gas to provide for projected increases in demand in the U.S. and exports.