

Senators Push for LNG Exports

By: Mark Green - February 25, 2013

LNGA bipartisan group of U.S. senators has written Energy Secretary Steven Chu, urging the government to support liquefied natural gas (LNG) exports for the good of our economy and to improve our trade balance. Key points in their reasoning:

Increasing demand for U.S. natural gas will be easily met by increases in production. The letter cites U.S. Energy Information Administration projections that a 20 percent increase in domestic natural gas demand between now and 2040 will be fully offset by a 40 percent increase in production.

Domestic production will be stimulated if producers have greater access to U.S. natural gas reserves onshore and offshore – as well as greater access to “consumption markets.” This will bring job creation, economic growth and generate an in-flow of revenue from abroad.

Artificial restraints on the marketing of U.S. natural gas tend to inhibit future investment in development.

Senators Jim Inhofe and Tom Coburn of Oklahoma, Mary Landrieu and David Vitter of Louisiana and Mark Begich of Alaska authored the letter to Chu, whose department currently is reviewing more than a dozen applications for federal licenses to build LNG export facilities. The senators write:

For the United States to be the hub of affordable energy, “it is imperative to pursue government policies that allow the private sector to make every energy resource as abundant, accessible, and as versatile in its consumption as possible. ... Expanding market access to producers will not only result in a wealth transfer from foreign countries to U.S. households but it will also encourage greater exploration and production activity...This will grow the economy and create jobs.”

Their argument parallels a number of the points made by international trade attorney Scott Lincicome in a paper for the Cato Institute. Lincicome writes that the current “disjointed, anachronistic” system needs to be revamped to reflect the new energy landscape created by the U.S. shale revolution (thanks, hydraulic fracking). Lincicome:

Independent reports from the Brookings Institution and Deloitte project that permitting gas exports would lead to a small and gradual increase in domestic natural gas prices. Such predictability and consistency is good for the industry and the overall stability of the U.S. energy market—it would prevent boom and bust cycles of high/low prices and high/low production that hurt the U.S. economy and prevent companies from implementing long-term investment, production, and hiring strategies. The current situation—in which oil and gas export decisions are left to the whims of federal regulators—has the opposite effect. ... Restricting U.S. gas and oil exports could hurt the U.S. economy. Recent studies indicate that U.S. natural gas producers could earn up to \$3 billion per year from exports. The Sabine Pass liquefaction facility—the lone DOE approval, thus far—is projected to create 30,000 to 50,000 new American jobs. The export

benefits would not be limited to energy producers, however. The NERA report found that LNG exports, even in unlimited quantities, would produce gains in real household income.

Thanks to shale and advances in hydraulic fracturing and horizontal drilling, the United States has vast natural gas (and oil) wealth that could change the global energy equation while creating hundreds of thousands of new jobs and lifting our economy. The free trade of U.S. natural gas is an important part in sustaining the shale revolution and making these benefits a reality. Arguments that exporting natural gas will create a shortage that will significantly impact domestic prices aren't based in fact. Meanwhile, the U.S., the world's leading natural gas producer, is well behind in the export of a valuable commodity that could bring wealth into this country. Lincicome:

If the president really wants to develop America's vast energy resources, grow the U.S. economy, restore some coherence to U.S. trade and energy policy, and avoid potentially embarrassing trade conflicts, he should order the immediate approval of all pending license applications and then pursue, with Congress, an overhaul of our archaic licensing systems.