

Amy Sweeney
U.S. Department of Energy
Office of Regulation and International Engagement
Office of Fossil Energy Forrestal Building
1000 Independence Ave. SW, Washington D.C. 20585

RE: Notice of Proposed Rulemaking for Small-Scale Natural Gas Exports (Docket No. 17-86-R)

Dear Ms. Sweeney:

On behalf of the American Petroleum Institute (API) and Center for Liquefied Natural Gas (CLNG), we write in support of the notice of proposed rulemaking (NOPR) for small-scale natural gas exports. The economic, environmental, and geopolitical benefits of exporting natural gas are considerable and as such we believe that all natural gas exports are in the public interest.

I. Statement of Interest

API is a national trade association that represents over 625 companies involved in all aspects of the oil and natural gas industry. API's members include owners and operators of LNG import and export facilities in the United States and around the world, as well as owners and operators of LNG vessels, global LNG traders, and manufacturers of essential technology and equipment used all along the LNG value chain. Our members also have extensive experience with the drilling and completion techniques used in shale gas development and in producing America's natural gas resources in a safe and environmentally responsible manner.

CLNG advocates for public policies that advance the use of liquefied natural gas (LNG) in the United States, and its export internationally. A committee of the Natural Gas Supply Association, CLNG represents the full LNG value chain, including LNG producers, shippers, terminal operators and developers, providing it with unique insight into the ways in which the vast potential of this abundant and versatile fuel can be fully realized.

II. Benefits of Increased Natural Gas Exports

The U.S. natural gas supply is abundant and growing. The U.S. possesses a total technically recoverable resource base of 3,141 Tcf as of year-end 2016 or more than a 117-year supply at current production levels. This is a 10 percent increase over 2014 estimates, and with the continued technological advancements of the oil and gas industry these estimates are expected to continue to grow.¹ This means that the U.S. has more than enough natural gas

¹ Potential Gas Committee, "Potential Supply of Natural Gas in the United States," December 31, 2016.

to increase natural gas exports and increase our use of natural gas here at home. Not only is our supply abundant but the price at which it can be produced continues to decline. ICF International estimates that more than 1,798 Tcf of natural gas in the US Lower 48 and Canada² can be produced at \$5.00/MMBtu (2016\$) or less while in 2013 they estimated that 1,250 Tcf could be produced at the same price.³ Due primarily to the larger and more price-responsive natural gas supplies, ICF projected that price impacts of LNG exports should be about one-half of the levels that ICF projected in the a 2013 report, even with exports up to 24 bcf/d.⁴

The potential global liquefied natural gas (LNG) market is also estimated to be significantly bigger than projections from a few years ago – 32 Tcf by 2040, compared to 22 Tcf estimated in 2013. This means that U.S. LNG now has the potential to supply a larger percentage of the global market. The increased size of the global LNG market coupled with the current expectations for cheaper and more price-responsive natural gas reinforces the finding that higher levels of U.S. LNG exports can be accommodated with much lower price impacts. This suggests that the economic impacts from LNG exports will be positive and substantial well into the future.⁵

Increased natural gas exports leads to higher levels of economic output for the U.S. For example, LNG export volumes of up to 16 bcf/d in 2040 could support between 220,000 and 452,000 additional U.S. jobs and add between \$50 billion and \$73 billion to the U.S. economy.⁶ In fact, natural gas related exports already contribute substantially to the U.S. economy. In 2015 gas-related exports totaled over \$37.6 billion. This includes natural gas, primary hydrocarbons, refined petroleum products, petrochemicals, fertilizers, plastics and resins.⁷ A strong natural gas market at home and abroad will encourage production of both natural gas and natural gas liquids, which are imperative to supporting our nation's petrochemical and energy-intensive industries.

Exporting U.S. natural gas will also help reduce global greenhouse gas emissions (GHG). ICF International estimates that exported LNG will have GHG emissions 43 to 52 percent lower than coal.⁸ Further, DOE's study titled, "Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas from the United States" concluded that U.S. natural gas consumed in Europe or Asia has lower life cycle GHG emissions than power generation

² The natural gas pipeline systems of the United States and Canada are integrated. Federal Energy Regulatory Commission, "Energy Primer, A Handbook of Energy Market Basics," November 2015, 17.

³ ICF International, "Impact of LNG Exports on the U.S. Economy: A Brief Update," September 2017, 2.

⁴ ICF International, "Impact of LNG Exports on the U.S. Economy: A Brief Update," September 2017, 5.

NERA Economic Consulting, "Macroeconomic Impacts of LNG Exports from the United States," December 2012.

⁵ ICF International, "Impact of LNG Exports on the U.S. Economy: A Brief Update," September 2017, Key Observations and Findings.

⁶ ICF International, "Impact of LNG Exports on the U.S. Economy: A Brief Update," September 2017, 5.

⁷ ICF International, "Benefits and Opportunities of Natural Gas Use, Transportation, and Production," June 2017, 11.

⁸ ICF International, "Lifecycle GHG Emissions from LNG Exports," February 2014, 1.

from locally sourced fossil fuels.⁹ U.S. carbon emissions associated with power generation are near 30 years lows, due in large part to increased use of natural gas.¹⁰ Encouraging the use of natural gas around the world can reduce emissions both at home and abroad.

III. Application of the NOPR to Existing Facilities

API and CLNG commend DOE's recognition of seven already-authorized small-scale facilities and the impact they've had in expanding natural gas markets in the Caribbean, Central America, and South America.¹¹ The benefits of increased natural gas exports, as explained above, can be achieved in equal measure from existing large-scale facilities as they can from small-scale facilities. Therefore, API and CLNG recommend that DOE's proposed rule expressly provide that non-free trade agreement (FTA) export applications proposing increases of export capacity up to and including 0.14 Bcf/d (commonly defined as having capacity of 0.14 Bcf/d (1 Mtpa) or less) from *existing* facilities, including existing LNG export trains at existing facilities, would also qualify for authorization without modification or delay, provided that DOE's approval of the application does not require an environmental impact statement or environmental assessment under the National Environmental Policy Act of 1969. As technology at existing facilities improves and operational efficiencies are realized, DOE should accommodate expedited approval of export volumes up to and including 0.14 Bcf/d from facilities of any overall size. While we believe this result is fully consistent with the NOPR and the public interest test set forth in the Natural Gas Act, clarifying this point will further incentivize additional investment in and innovation at other existing LNG export facilities, enabling even more exports without the need for construction of additional FERC- or MARAD-jurisdictional equipment.

IV. Conclusion

API and CLNG appreciate the DOE's commitment to LNG exports. We believe that this NOPR is a step in the right direction and will help to encourage the domestic and global benefits that U.S. natural gas exports provide. However, we also believe that liberalizing all natural gas exports (not just small-scale) is the only way to ensure that the benefits of natural gas exports will be fully realized. No party in the pending non-FTA proceedings has demonstrated a negative cumulative impact on the public interest due to increased LNG exports and therefore DOE would be justified in approving all pending non-FTA applicants without delay and through appropriate process.

⁹ U.S. Department of Energy, "Life Cycle Greenhouse Gas perspective on Exporting Liquefied Natural Gas from the United States," May 29, 2014, 9.

With the exception of natural gas sourced in Norway.

¹⁰ Energy Information Administration, Monthly Energy Review, September 2017.

¹¹ 82 Fed. Reg. 41,572-73 (Sept. 1, 2017).

As the world's largest natural gas producer, we have enough natural gas to significantly increase U.S. participation in the global market for LNG without sacrificing our domestic advantages. Increasing LNG exports will serve the public interest by creating American jobs, bolstering our economy, strengthening the global energy market, and enhancing our national security interests abroad. We look forward to working with Secretary Perry, DOE leadership and staff to continue to boost the competitiveness of U.S. natural gas exports.

Sincerely,



Todd Snitchler
Group Director, API



Charlie Riedl
Executive Director, CLNG

