May 18th, 2018

The Honorable Wilbur L. Ross
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

RE: Comments on Interim Final Rule "Requirements for Submissions Requesting Exclusions From the Remedies Instituted in Presidential Proclamation 9705 of March 8, 2018 Adjusting Imports of Steel into the United States" (BIS-2018-0006).

Dear Secretary Ross:

The Center for Liquefied Natural Gas (CLNG) appreciates the opportunity to provide comments on the interim final rule (RIN 0694- AH55) published on Monday, March 19, 2018, setting out the process for requesting and commenting on exclusions from the steel tariffs imposed by the President pursuant to Section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. 1862).

The Center for Liquefied Natural Gas 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 (NGSA), 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.

Technological breakthroughs in the oil and natural gas industry have unleashed an energy renaissance, establishing the United States as the world's largest natural gas producer – and domestic production continues to grow. We have enough natural gas to supply affordable energy domestically for the foreseeable future as well as to significantly increase U.S. participation in the highly competitive global LNG markets. Because our supply of natural gas is so abundant, exports and export capacity are helping provide stability to the domestic market. In some regions of the country, natural gas production has exceeded demand, however exports offer an important market for surplus gas, which often comes associated with oil production, and helps to keep natural gas and oil production steady and predictable. In fact, growth in exports sends market signals to incentivize domestic production, which benefits consumers here at home and benefits industries involved in the natural gas supply chain, such as construction and manufacturing, spurring even more economic growth.

The LNG industry is in its infancy here in the Lower 48, which began exporting LNG at the beginning of 2016. The U.S. now has two operating LNG terminals, four more under construction, four more with full permits already approved and at least a dozen more in the process of obtaining their permits. Tariffs on steel could have a significant impact on the viability of U.S. LNG export projects because considerable amounts of steel – imported and domestic – are required to build LNG facilities. LNG terminals are capital intensive projects that cost several billions of dollars and generate hundreds of thousands of jobs in the U.S. A 25 percent tariff on imported steel could increase a project's cost by 3 percent to 7 percent - hundreds of millions of dollars. This type of cost increase could keep a U.S. LNG project from being built and cause the United States to lose an important role in the global energy market, because U.S. LNG facilities already face stiff competition from abroad.

Furthermore, this bourgeoning LNG industry would have a positive impact on the U.S. economy and create new jobs. LNG exports could contribute between $1.7 trillion to $3.3 trillion to the U.S. GDP and add 7.3 to 15.5 million jobs per year between 2013 and 2050[1]. However, with the increased project costs steel tariffs would add to an LNG facility, new U.S. projects could be priced out of the market, decreasing jobs and GDP gains, and ceding market share to other countries.

LNG exports also offer clear environmental benefits to overseas consumers. A 2014 study conducted for the U.S. Department of Energy found that LNG exports could reduce global greenhouse gas emissions by displacing more carbon-intensive fuels in importing nations[2]. Greater use of natural gas in importing nations will also help reduce traditional pollutants, since natural gas creates little to no emissions of sulfur dioxide, nitrogen oxides or particulate matter that can lead to smog[3]. Providing our trade partners access to a cleaner-burning energy alternative reinforces our commitment to environmental progress.

LNG terminals do use U.S. steel, however much of the steel used in the construction of LNG terminals is specialty steel that must withstand extreme conditions. In some instances, there are no U.S. manufacturers certified - or with sufficient capacity - to supply the necessary specialty steel. At least five kinds of steel are used, with many imported: (1) rebar for concrete (often sourced from U.S.), (2) structural steel for framing, (3) cryogenic steel rebar for the outer shell of LNG storage tanks that must withstand extreme temperatures, (4) piping, including with a special alloy, and (5) nickel plate steel for LNG tank inner liner. These types of steel are imported from India, Turkey, Korea, China, Poland, and the Netherlands – all countries that import U.S. LNG.

CLNG asks that the Commerce Department consider:

1. An LNG industry-wide exclusion to the steel tariffs, or country exclusions for imported steel for LNG terminals. Tariffs risk retaliatory measures from some of the largest LNG importing countries, who have non-U.S. options for LNG supply.
2. Once a company receives an exclusion, it should be valid as long as the tariff is in place and not expire after a year, as the rule currently states. LNG projects take three to five years to construct, and annual applications for exclusions add unnecessary administrative burden and uncertainty to a project.
3. Trade Associations representing companies that are requesting similar exclusions should be able to file on behalf of their members. This will reduce the regulatory burden these applications place on companies and streamline the process for the Commerce Department.
4. Simplifying the exclusion process by allowing the applicant to file one exclusion request for all products regardless of their size. For example: the applicant should be allowed to file one

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[1] ICF prepared for LNG Allies, "Calculating the Economic Benefits of U.S. LNG Exports," April 17, 2018, http://www.lngallies.com/jobs.pdf.

[2] Department of Energy, National Energy Technology Laboratory, Lifecycle Greenhouse Gas Perspective Report on Exporting LNG from the United States, 2014.

[3] Leidos, Inc., A Comparison of Emissions from Major Fuels Used to Generate Electricity in the U.S., 2016.

exclusion request for all rebar, not separate requests for 3/8”, 1/2”, 5/8” and 3/4” rebar. Again, this will streamline and simplify the process for both the applicant and for the Commerce Department.

With global demand for natural gas only expected to grow, the United States has a unique opportunity to become a major global supplier of natural gas – and a limited time window to capture it – thereby reaping all the domestic benefits. However, steel tariffs could stifle this opportunity and cause the United States to lose LNG market share to other countries, or even price U.S. LNG out of the market entirely.

Sincerely,

Charlie Riedl
Executive Director
Center for LNG