## US DOE should review impact of LNG exports, group says

27 Nov 2017 18:45 GMT

Washington, 27 November (Argus) — The US should reexamine the effect rising LNG exports will have on domestic manufacturing and jobs, the head of a Washington trade association said last week

Paul Cicio, president of the Industrial Energy Consumers of America, said the US Department of Energy (DOE) should be given a safety valve to reduce LNG exports to ensure the public interest is served.

The group, whose members include the chemicals, plastics and steel industries, wants the DOE's annual evaluation of the effect of exports to include a forward look at likely outcomes.

The DOE already has the authority to modify or cancel LNG export licenses to countries that do not have free trade agreements (FTAs) with the US if it deems them to be against the national interest, but so far it has not altered any licenses it has issued. The DOE has said it does not intend to alter such licenses to control domestic gas prices, but it could revisit non-FTA authorizations if they harm the economy, which has made some potential Asian LNG importers nervous about investing in US projects.

The DOE must quickly approve export licenses to FTA nations because they are presumed to be in the national interest.

Despite those existing protections, Cicio told *Argus* that the DOE should be more cautious. Approved-LNG exports exceed 70pc of last year's natural gas domestic demand, he said. That figure might be conservative. The US Energy Information estimated that US consumption averaged 75.3 Bcf/d in 2016. The DOE has authorized exports of LNG and compressed natural gas to countries that do not have free trade agreements (FTA) with the US of up to 21 Bcf/d. Countries that have free trade agreements can receive up to 55 Bcf/d. Not all of the approved projects will go forward.

The EIA projected in the 2017 Annual Energy Outlook that US LNG exports will amount to only 12 Bcf/d by 2050.

The federal Natural Gas Act requires the DOE to evaluate the effect of exports and approve applications if they are in the public interest, but does not define what that means.

The DOE did not immediately respond to a request for comment.

Cicio said studies conducted by former president Barack Obama's administration did not consider the economic effect of exports to FTA countries.

A study released in December 2012 by the DOE and prepared by Nera Economic Consulting concluded that the US stands to benefit from LNG exports.

But Cicio said the only beneficiaries are limited to oil and gas producers and transporters and their shareholders. The overseas shipments will create relatively few US jobs, he said. Excessive exports could suppress US job creation or result in job losses if natural gas prices rise as a result, he said. Future production restrictions imposed by the US or by states could further tighten gas supply, which would raise the likelihood for prices to increase, Cicio said.

In addition, purchasers of US LNG are often are state-owned companies in the northern hemisphere with the same pattern of demand, he said. Cold weather could potentially bring high demand in multiple markets that could spike prices, since foreign buyers will pay any price and US consumers are exposed to market signals.

The structure of LNG contracts actually varies, with some prices already established between the parties and buyers expected to take volumes in their portfolios whether demand materializes or not, according to an analysis by *Argus*. 4959973

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