The Manufacturing Council

May 23, 2012

The Honorable John Bryson
U.S. Department of Commerce
Washington, D.C. 20230

Dear Mr. Secretary,

The members of the Manufacturing Council are keenly aware of the importance of the broad array of energy-related issues to our respective enterprises and the sector as a whole. As we have noted in previous recommendations, manufacturers are the largest single consumer of energy in the U.S., and we use that energy to the products that drive growth and job creation. Today, there is significant opportunity related to domestic sources of natural gas that is driving large investments in the U.S. and reinvigorating that manufacturing sector.

America's budding manufacturing renaissance is fueled by abundant, affordable shale gas. Exports that drive demand ahead of supply will drive up costs for domestic consumers in general and manufacturers in particular. As this is a relatively new development, prudence in decision making regarding the export of this critical resource is warranted. The Department of Energy (DOE) has hired a contractor to conduct a follow-up study to the original Energy Information Administration (EIA) study released earlier this year. In order to ensure this study is accounting for the wide array of impacts an LNG export policy may have on US manufacturing competitiveness, we submit the following questions to the Administration for consideration in their analysis and subsequent decision making regarding LNG exports.

Questions

1. The initial EIA study on the impacts of increased LNG exports on natural gas prices has known limitations in the modeling done. In order to get a complete picture of the potential effects, the key for the follow up study will be the specifics that the follow up study will examine. What are the specific research questions the contractor has been asked to analyze?

2. It is our understanding that the data used for the original EIA study related to projected domestic demand for natural gas is more than four years old. Current data and projections

are necessary for proper analysis and decision making. Will DOE or the contractor be surveying industry in order to ensure updated data is used to capture the very latest demand response?

3. Every facet of modern life – from food, to health and medicine, consumer products, communications, apparel, housing and construction, information technology, entertainment, transportation, education – is affected directly by supply and cost of natural gas, both as fuel and as a raw material for American manufacturing. Natural gas at stable, competitive prices is incentivizing American manufacturers to invest and create jobs in the U.S. Though industrial uses of natural gas such as petrochemicals, fertilizers, glass, aluminum and steel are driving these major investments, multiplier effects of 3x to 5x will be felt by the overall economy, including other US manufacturers less dependent on gas as a feedstock. How will this study account for the impact to jobs from the manufacturing investments vs. jobs from exploration and production companies? Will the nature of the jobs being created be accounted for? If so, how?

4. New supplies of natural gas are leading to billions of dollars of long-term investments by the petrochemical manufacturing industry in the US including from Dow Chemical, Chevron, ConocoPhillips, and Royal Dutch Shell to name a few. Given these planned investments, will this new study analyze the potential risk to those investments if prices of natural gas become more volatile? Why or why not? How is the study accounting for these announcements?

5. If current applications under consideration are all approved, the US is expected to export an amount about equal to 18 percent of the natural gas that is currently consumed. Additionally, companies may seek approval to export even more. Will this follow up study consider how exporting greater volumes of gas will affect domestic prices and US competitiveness?

6. US manufacturers depend on natural gas to produce consumer, agricultural, and other industrial products. How is this study accounting for the importance of price stability for manufacturers? Under the various scenarios being analyzed, will the study assess the impacts of low and high price projections on US manufacturing competitiveness?

7. The increased projection of natural gas supply in the US is a relatively new development and the US renaissance in manufacturing is largely fueled by this. In order to make the most informed decisions, DOE will need the best available analysis and data. As such, will DOE withhold approval of pending export applications until this study is completed? If no, why not?

8. According to a recent study by the American Chemistry Council, natural gas used by the petrochemical sector creates a value-add and jobs multiplier of 8x – higher than any other use. Will the study account for this production of higher value products vs. the one time value of exporting LNG?

The Manufacturing Council understands that the issues affecting LNG export policies are complex and multifaceted.   We appreciate the opportunity to share our concerns and ideas and welcome a meeting to further discuss these in person.

Thank you for your time and consideration.

Respectfully Submitted,

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