CITIZEN POWER

Public Policy Research Education and Advocacy

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U.S. Department of Energy (FE-34)
Office of Natural Gas Regulatory Activities
Office of Fossil Energy
P.O. Box 44375
Washington, DC 20026-4375

Electronic filing: LNGStudy@hq.doe.gov
Re: LNG Export Study and Request for Comment

Dear Department of Energy:

Citizen Power would like to thank the Department of Energy (DOE) for this opportunity to submit comments regarding the LNG Study. After an analysis of the documents *Effect of Increased Natural Gas Exports on Domestic Energy Markets* (EIA Study) and *Macroeconomic Impacts of Increased LNG Exports from the United States* (NERA Study), we believe that it is not in the public interest to authorize the exportation of LNG from the lower-48 states non-free trade agreement countries.

First of all, we are concerned about many of the findings of the EIA Study regarding impacts of LNG exportation on CO_2 emissions. Specifically, as prices of domestic natural gas increase, the electric power sector utilizes a greater number of coal fired generation facilities. This substitution, along with emissions related to the liquefication process, results in increased CO_2 emissions under all studied export scenarios. Furthermore, the analysis in the EIA Study fails to address the issue of greater fugitive emissions of methane as a result of the additional drilling necessary to export LNG. The EIA Study should be supplemented to determine the systemic greenhouse impacts resulting from allowing LNG exports to non-free trade agreement countries.

Secondly, the EIA study does not recognize the costs of local environmental pollution as a result of hydraulic fracturing. The negative externalities resulting from the amount of intensive drilling that is a necessary precondition to large-scale LNG exportation are largely unknown. However, this does not mean these costs should be discounted. In fact, under the precautionary principle, any analysis of the impact of LNG exportation should conservatively estimate the environmental costs of increased drilling and the uncertain long-term impacts upon groundwater reserves. Without estimating these impacts, which will eventually be borne by the citizens and businesses remaining after the gas boom ends, the predicted cost of increased natural gas production will be understated.

In addition, the EIA Study projects increases in both domestic natural gas prices (from 3 to 9%) and electricity prices (from 1 to 3%). The increases in electricity prices are projected to hit the industrial sector especially hard, with double digit annual price increases under some scenarios. The result is that LNG cannot be exported without also exporting jobs.

The NERA Study repeats many of the omissions of the EIA Study while making assumptions to reach the conclusion that the United States gains net economic benefit from allowing LNG exports. The NERA Study does not quantify or even consider the environmental costs, both local and global, of LNG exportation. Additionally, the NERA Study does not address the costs of wealth transfer or the economic impact of reducing wage incomes in order to increase resource incomes that result from LNG exports.

However, even if you ignore the environmental costs or the possibility that shifting income from employees to companies could reduce overall utility, the NERA Study makes one key assumption that is both unsupportable and undermines the entire analysis. The NERA Study states, on page 55, "Under these export scenarios, the U.S. consumers receive additional income from two sources. First, the LNG exports provide additional export revenues, and second, consumers who are owners of the liquefaction plants, receive take-or-pay tolling charges for the amount of LNG exports. These additional sources of income for U.S. consumers outweigh the loss associated with higher energy prices. Consequently, consumers, in aggregate, are better off as a result of opening up LNG exports." However, this assertion is based on an assumption hidden in footnote 22, "[c]onsumers own all production processes and industries by virtue of owning stock in them." To the extent that any company that sees increased profits from LNG exports, from the drilling companies to the liquefacation plants, is owned partially or entirely by foreign stockholders or corporations, those profits do not directly benefit U.S. consumers.

The determination of whether allowing LNG exports is in the public interest is a particularly complex issue. Citizen Power believes that the analysis contained in both the EIA Study and the NERA Study ignores the substantial environmental and societal costs associated with increased drilling. In addition, the NERA Study is fundamentally flawed because it assumes that all profits from LNG exports accrue to U.S. consumers. It is clear that the studies, as they stand, do not support the conclusion that LNG exportation is in the public interest. Therefore, we respectfully request that the DOE supplement these studies by including estimated environmental costs, accounting for estimated societal impacts, and adjusting the benefit numbers to accurately reflect the share of projected profits that should be allocated to US consumers and the share properly allocated to foreign entities.

Yours truly,

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