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THE US LNG ASSOCIATION

Comments of LNG Allies

"Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports"

Office of Fossil Energy, U.S. Department of Energy

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The Department of Energy (DOE) published a study in the Federal Register on June 20, 2018, entitled: *Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports***.** This study is a thorough examination of the broad economic impacts of U.S. liquefied natural gas (LNG) exports under various potential global natural gas market conditions.

Because this study is so all-encompassing (it looked at 54 separate "scenarios"), it can and should inform all of the "public interest" determinations that DOE will make over the next few years on applications to export U.S. LNG to nations that do not have free trade agreements with the United States (that include the national treatment of natural gas).

LNG Allies applauds this new, comprehensive review of a full range of possible LNG export scenarios and would highlight one key finding: *"overall U.S. economic output is higher <u>whenever</u> global markets call for higher levels of LNG exports…"* (emphasis added).

We also note that the study substantiates several arguments that the U.S. LNG export industry has been making for years:

- "Increasing U.S. LNG exports under any given set of assumptions about U.S. natural gas resources and their production leads to only small increases in U.S. natural gas prices." (Page 55)
- "Increased exports of natural gas will improve the U.S. balance of trade and result in a wealth transfer into the United States." (Page 64)
- "Overall [U.S.] GDP improves as LNG exports increase for all scenarios with the same U.S. natural gas supply condition. (Page 67)
- "There is no support for the concern that LNG exports would come at the expense of domestic natural gas consumption." (Page 77)
- "In fact, a large share of the increase in LNG exports is supported by an increase in domestic natural gas production." (Page 77)
- "Natural gas intensive [industries], continue to grow robustly at higher levels of LNG exports, albeit at slightly lower rates of increase than they would at lower levels." (Page 70)

The findings of the study are consistent both with earlier DOE studies and with the research conducted by ICF for LNG Allies on the economic benefits of U.S. LNG exports (copy attached). Based upon scenarios in the 2018 Annual Energy Outlook (AEO-2018) released by the U.S. Energy Information Administration (EIA) in February 2018, the ICF study for LNG Allies found that:

- The cumulative direct, indirect, and induced value added from U.S. LNG liquefaction and export terminals will range from $716 billion to $1,267 billion for the three studied AEO-2018 cases over the period 2013 to 2050.
- The direct, indirect, and induced value added from supplying natural gas to the liquefaction plants would range from $948 billion to $1,988 billion for the three AEO cases from 2016 (the first year of LNG exports from the lower 48 states) to 2050.

Unfortunately, the DOE study used data from AEO-2017 for its analysis. The projections in AEO-2018 indicate significantly lower natural gas prices in the United States in the future, as well as considerably higher U.S. natural gas production under all scenarios (versus AEO-2017). In other words, had it been possible for the DOE study to draw upon the most recent data (AEO-2018), the evidence supporting market-determined levels of U.S. LNG exports would have been even more persuasive.

Nonetheless, the results of the DOE study clearly show that market-determined U.S. LNG exports benefit American consumers and workers. Along with the four other studies commissioned by DOE since 2012—all of which validate the economic and national security benefits of U.S. LNG exports—this research should put to rest any lingering concerns that increased U.S. LNG exports are not in the national interest.

For this reason, LNG Allies believes that DOE can now safely shift its policy perspective to grant approvals to all U.S. LNG export applications to non-FTA countries without the need for any further macroeconomic studies (at least for the next four to five years). The United States can and will derive important economic and foreign policy gains from adoption of such a market-driven approach.

Finally, we note that the 2018 study looks 30 years into the future, whereas prior DOE studies had a 20-year time-horizon. For that reason, we suggest that DOE should consider granting new LNG export authorizations for a 30-year period and initiating a consolidated proceeding to add an additional 10-year term to all existing 20-year authorizations (for both FTA and non-FTA countries).

Respectfully submitted,

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