



March 1, 2018

The President
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear President Donald J. Trump:

LNG Allies represents companies involved in the export of liquefied natural gas (LNG) from the United States.

We greatly appreciate your administration's strong support for the LNG industry, which as you know, is creating U.S. jobs and economic growth, enhancing the energy security of America's allies, and helping to improve human and environmental conditions worldwide.

We write today to raise serious concerns regarding the imposition of tariffs on steel imports to the United States under Sec. 232 of the Trade Expansion Act of 1962. Implementation of such tariffs could do great harm to the LNG industry, a central pillar of your "Energy Dominance" agenda.

Accordingly, we urge you to define national security in a way that does not include steel that is vital to the U.S. oil and gas industry in general and U.S. LNG exporters in particular.

The U.S. LNG export industry relies on steel imports for critical structural and other components of its facilities, including certain types of steel for which there is no U.S. manufacturer or very limited U.S. capacity. At least five kinds of steel are used in the construction of LNG plants:

- Rebar for concrete which is often sourced from the United States.
- Structural steel for framing which is imported from China, India, Turkey, and Korea.
- Cryogenic steel rebar for the outer shell of LNG storage tanks that must withstand extreme temperatures. (This steel must be imported from two specialty manufacturers because no U.S. companies are certified).
- Piping, including a special alloy which is imported from several countries.
- Nickel plate steel for the LNG tank inner liner which is imported because the sole U.S. manufacturer has limited production capacity.

In addition to these "inside the fence-line" uses, U.S. LNG projects also depend upon massive pipelines to move the natural gas from producing fields to the coastal export facilities, and we support the position articulated by the American Petroleum Institute on this matter:

"U.S. pipeline construction and repair activity rely heavily on imported finished goods and imported parts and intermediate materials used for domestic manufacturing of (1) line pipe; (2) fittings; and (3) valves. In recent years, 72% of the steel used in line pipe was imported (excluding slab; 77% including slab). Half of these imports of steel used in line pipe come from countries on which the United States has already levied anti-dumping or countervailing duties."

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The United States is now the world's leading natural gas producer and we are on track to become a top exporter of natural gas by the early 2020s. But, with fierce competition for global markets from gas exporters in Australia, Qatar, Russia, and elsewhere, the United States could easily lose out:

- LNG export facilities cost several billion dollars to build. Increased construction costs resulting from additional steel tariffs, quotas, or other measures could threaten the economic viability of U.S. LNG projects, potentially costing thousands of jobs and billions in export earnings and economic growth.
- Specifically with regard to the balance of trade, when operating at capacity, the U.S. LNG export facilities that have currently reached final investment decision will reduce the trade deficit by \$24 billion per year. And, the facilities proposed could double that benefit, but they must be cost-competitive to move forward.
- Finally, we note that fewer U.S. LNG exports could result in U.S. natural gas production being “shut-in” with negative effects on America's own energy security.

For the reasons set forth above, we recommend that your administration focus on addressing the trade distorting practices of our trading partners where they exist, and urge that any steps taken under the Sec. 232 process exempt steel products that are critical to the U.S. LNG industry.

We thank you again for your support for U.S. LNG exports and would be pleased to meet with you to discuss our concerns about this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred H. Hutchison", followed by a horizontal line extending to the right.

Fred H. Hutchison

President & CEO, LNG Allies