KEY VOTE *ALERT!*

U.S. CHAMBER OF COMMERCE
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TO THE MEMBERS OF THE U.S. HOUSE OF REPRESENTATIVES:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations, and dedicated to promoting, protecting, and defending America's free enterprise system, strongly supports H.R.351, the "LNG Permitting Certainty and Transparency Act," which would reduce trade barriers limiting and delaying the export of natural gas and bring more supply of this critical energy source to the world, while spurring additional job creation and government revenue in the U.S.

The United States is the largest producer of natural gas in the world and has a large and growing natural gas resource base. The Energy Information Administration (EIA) estimates that proved and unproven reserves of nature gas are 2,266 trillion cubic feet. EIA also acknowledges the uncertainty of the shale gas numbers based on the limited development that has occurred. Historically, as new resources are developed, actual reserves increase. Even this current resource estimate would sustain domestic demand for a century.

Lessening existing restraints on the free trade of liquefied natural gas (LNG) would provide an economic boost across the economy and enable America to more fully capitalize on its incredible natural gas resource base. This view is sustained in a NERA Economic Consulting study sponsored by the Department of Energy (DOE) released in December 2012, which examined the economic implications of exporting LNG and concluded that "in all of the scenarios analyzed…the U.S. would experience net economic benefits from increased LNG exports."

The increasing production of natural gas from shale formations has been one of the few economic bright spots over the last five years. A 2012 study sponsored by the Chamber's Institute for 21st Century Energy and published by IHS concluded that unconventional gas development supported over 900,000 jobs in 2012. The majority of these jobs have been created in the previous five years, coinciding with the Great Recession and some of the highest unemployment in a generation. This study also found that unconventional gas development added over $120 billion to the U.S. GDP in 2012. This rapid development was catalyzed by market forces and the unleashing of technology and innovation developed over many decades. The current regulatory limitation of LNG exports creates an artificial barrier that constrains production and all of the associated economic benefits.

The laws of supply and demand dictate that licensing new export facilities would send the necessary market signal to encourage producers to increase natural gas production and exploration. Because the construction of an export facility requires some three to five years, there would be ample time for the market signal to result in additional production coming on line. A follow-on IHS study published in 2013 that examined the impact of unconventional energy development on the manufacturing sector concluded that by 2025 over 318,000 jobs would be supported and over $50 billion in additional GDP created, in part because it assumes the U.S. would be exporting LNG.

Additionally, the increased exploration and production of methane would have an ancillary impact of also increasing the production of natural gas liquids (NGLs). These hydrocarbons, such as ethane and butane, are feedstocks of the petrochemical industry and are used to produce plastics, fertilizers, and pharmaceuticals. This increased production would, in turn, place downward price pressure on NGLs, helping to offset any potential and temporary upward pressure created by LNG exports.

U.S. natural gas exports would have a pronounced impact on the global market geopolitical calculus of most nations in Europe and Asia even if they would not be direct recipients of U.S. gas. Prices for LNG in Europe and Asia's are upwards of double U.S. prices, and forecast to grow at a faster rate than in the U.S. Global demand has been outstripping supply recently. As demand continues to increase, the risk that exports controlled by central governments may be utilized as an extension of that country's geopolitical goals has increased. Any additional supply entering the market places downward price pressure on traded natural gas, undermining the potential influence exporting states may exert on their constrained customers. This is especially true for U.S. exported gas, which most assume will be tied to U.S. prices (set at supply and demand equilibrium) as opposed to the historic global pricing scheme tying natural gas prices directly to crude oil. Owing to increased supply from shale development, U.S. natural gas prices are lower than most global sources.

If H.R. 351 is enacted and present natural gas export barriers lessened, the global market would benefit from increased competition, and importing countries would be provided with greater freedom of choice. While it would take several years to construct new export facilities, the impacts would be felt in the near-term. Importers would immediately begin competing for potential future shipments from the U.S., significantly reducing the leverage maintained by countries that may use natural gas exports for political purposes.

Existing U.S. energy export policy is a vestige of previous eras of energy scarcity. Owing to American ingenuity, the U.S. is blessed with energy abundance, and U.S. policies must be brought into the 21st century to reflect that. **The Chamber strongly supports H.R. 351, the "Domestic Prosperity and Global Freedom Act," and may consider votes on, or in relation to, H.R. 351 in our annual *How They Voted* scorecard.**

Sincerely,

R. Bruce Josten