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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

RE: 2012 LNG Export Study

Dear Secretary Chu:

The American Fuel & Petrochemical Manufacturers (AFPM) appreciates the opportunity to provide comments regarding the Liquefied Natural Gas (LNG) Export Study commissioned by the Department of Energy (DOE).[1] AFPM is a trade association representing high-tech American manufacturers of virtually the entire U.S. supply of gasoline, diesel, jet fuel, other fuels and home heating oil, as well as the petrochemicals used as building blocks for thousands of products vital to everyday life. Our members have greatly benefited from the shale oil and gas revolution, which is a result of new technologies that allow the extraction of oil and gas from shale formations. Efforts to place overly-burdensome restrictions on natural gas exports will negatively impact job creation and weaken our economy, and stop billions of dollars from flowing into our nation's economy.

AFPM believes it is vitally important for policymakers to adhere to free and open market principles and the benefits derived from them when analyzing policy options that will be debated as the result of these studies. AFPM further believes in free market energy policies that focus on maximizing access to the nation's abundant natural gas resources for our domestic manufacturers and ensuring a balanced regulatory environment that allows manufacturers to take advantage of our nation's resources.

While the debate about the study in question has solely focused on whether or not the U.S. should become an exporter of natural gas to non-free trade countries, such a narrow focus ignores critical policy choices that must be considered as a precursor to the export debate. Allowing access to more public lands for natural gas exploration and production, developing our natural gas distribution infrastructure, along with meaningful regulatory reform aimed at ensuring the growth of U.S. manufacturing, is the best way to ensure that our abundant resources bolster the economy and create domestic jobs. In addition, these steps will position the nation as a greater geopolitical energy force in relation to export capabilities and improve our balance of trade.

[1] *See* 77 *Federal Register* 73627

The U.S. is part of a global economy, where consumers benefit most when the free market is allowed to operate without government imposed artificial barriers on production, use and distribution of products. The free market has been the main impetus behind the United States' abundance of natural gas, as much of today's production has come from private citizens' investments on state and private land. Rather than debating whether or not we should limit exports, U.S. policy should focus on fostering the opportunity provided through our abundant natural gas resources to create more jobs and strengthen American manufacturing.

Today, the petrochemical industry is on the verge of a manufacturing renaissance as a result of the shale gas revolution. This new technology has transformed our nation into one of the world's largest natural gas producers. In 2000, shale gas production was two percent of the total U.S. natural gas production, today it is 37 percent.[2] The United States is the second largest producer of natural gas and according to estimates by International Energy Agency the U.S. will be the world's leading natural gas producer by 2020.[3]

Shale development has generated an abundance of natural gas liquids (NGLs), comprised of ethane, propane and butane, to our nation's manufacturers. NGLs are the feedstock for the petrochemical industry, which are the building blocks for most manufactured products in commerce. In addition to the manufacturing benefits of plentiful NGLs, affordable dry gas provides our nation with a competitive energy source for powering manufacturing facilities. The rapid increase in today's natural gas supply is providing tremendous growth opportunity for petrochemical producers and many other manufacturing industries. This increase in natural gas production has resulted in the announcement of over $87 billion in potential capital investments according to IHS, Inc., with 99 recently announced investments planned, leading to an increase of more 1.7 million new jobs in the contiguous United States.[4] These investments represent the beginning of an American manufacturing renaissance. However, the current pace of production cannot occur without sufficient demand. While the coming renaissance will create demand, as new facilities navigate the burdensome federal permitting process required to build and operate, producers still need an outlet to sell supply that will ensure sustained and economic production of our nation's abundant natural gas resources.

In order to protect these investments, policies that inhibit the free market should be rejected. Trade export restrictions are a slippery slope that could result in retaliatory actions from countries with which our nation has beneficial trade relationships. Rather, government policy

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[2] IHS Report: America's New Energy Future: The Unconventional Oil and Gas Revolution and the US Economy, Volume 1: National Economic Contributions, October 2012.
[3] International Energy Agency. World Energy Outlook 2012, November 12, 2012.
[4] IHS Report: America's New Energy Future: The Unconventional Oil and Gas Revolution and the US Economy, Volume 1: National Economic Contributions, October 2012.

should ensure greater access to our natural resources, particularly on federal lands. Oil and natural gas production on federal lands were down 14 and 9 percent respectively this past year, with only half the amount of licenses and permits being issued for drilling on federal lands. Blocking this energy production through burdensome regulations has caused federal energy production to decline, hurting jobs and the economy.

In addition, the federal government should proceed with caution when examining federal regulations on hydraulic fracturing. For the last sixty years, states have successfully developed and enforced their own regulations for safe hydraulic fracturing, with numerous scientific studies from the Department of the Interior and the Environment Protection Agency (EPA) confirming that there have been no cases where hydraulic fracturing was found to contaminate ground water. Even with a lack of production using this technology on federal lands, state-regulated practices of hydraulic fracturing on state and private lands have lead to a 30 percent increase in domestic oil and natural gas production. States like North Dakota have seen an increase of 500 percent since President Obama took office, while regulations and red-tape have made it extremely difficult to achieve the same success on federal lands. Unnecessary government interference and red-tape in relation to regulating hydraulic fracturing will only lead to less production, reduced U.S. manufacturing potential, fewer jobs and a weaker economy.

Furthermore, federal regulators should look to reform our regulatory system in a manner that allows companies to build manufacturing facilities that can take full advantage of the domestic oil and gas revolution. The EPA has instituted greenhouse gas (GHG) regulations through the Clean Air Act (CAA) that create great uncertainty, and, according to Administrator Lisa Jackson's own admission, will not reduce global concentration of GHGs. Proposed new regulations and unnecessary tightening of other existing standards threaten to raise energy costs for every American consumer, with little or no environmental benefit. They would also have the unintended consequence of strengthening the competitive position of foreign refineries and petrochemical manufacturers, which may lead to additional job losses for Americans, weaken the U.S. economy, increase America's dependence on nations in unstable parts of the world for vital fuels and petrochemicals, and ultimately endanger our national security. In order to ensure a balanced regulatory framework for U.S. manufacturers, the EPA and other regulatory agencies need to look at eliminating conflicting and duplicative regulations, as well as require a cost-benefit analysis before new regulations or the tightening of existing regulations are finalized.

The American shale gas and oil revolution has been extremely beneficial for our nation. It has led to significant job creation, economic growth, energy security, greater federal tax revenue and the promise of a more competitive manufacturing base. Raising trade barriers will impede the tremendous progress America has made in the last few years. President Obama recognized the importance of exports when he said at his weekly address at a Boeing factory in the state of Washington last year:

> “More exports means more jobs. We know what we need to do. We need to strengthen American manufacturing. We need to invest in American-made energy and new skills for American workers.”

In addition, the President highlighted the economic benefits of exporting petroleum products to our nation’s trade balance and economy in his 2012 Economic Report of the President.

In his 2010 State of the Union address, President Obama announced the National Export Initiative and set a goal of doubling U.S. exports by the end of 2014 to support millions of U.S. jobs. Natural gas exports can advance these goals and we should view our nation’s export potential in a positive light. However, in order to ensure the realization of a domestic manufacturing renaissance, policymakers must understand how to eliminate domestic barriers to greater natural gas production and manufacturing operations. Exploring how to best advance sensible regulatory reform will ensure the realization of a domestic energy and manufacturing renaissance. It will also create the opportunity for our nation to improve its balance of trade and mitigate existing geopolitical security issues associated with the concentration of natural resources in unstable regions of the world.

Sincerely,

Charles T. Drevna