Natural Gas Response:

I will start off my stating that this article makes far too many assumptions and statements in the beginning without clearly illustrating its impact on consumers. Yes, it states that the world market price is higher than the market price if sold domestically, thus resulting in huge profits. And yes it states that other countries are in need of natural gas, such as Japan and Korea. As a matter of fact, it says,

> "Although there are high costs to consumers of higher energy prices and lower consumption and producers incur higher costs to supply additional natural gas for export, these costs are more than offset by increases in export revenues along with a wealth transfer from overseas received in the form of payments for liquefaction services. The net result is an increase in U.S. households' real income and welfare." (6)

The first sentence makes sense but the quote falls apart towards the end. The article fails to point out that these profits will not be going to the consumer, but rather the large natural gas companies that drill and sell them. As for the households that will receive benefits, it must be referring to the households of the drilling company managers and officers. It also states that there will be a wealth transfer from countries overseas and into America. However, most of the companies drilling natural gas have huge investors in other countries.

Take a look at Exxon Mobile. A while ago, the United States was concerned with how much natural gas we would have so we built a port, called GoldenPass LNG as somewhat of a port to *receive* natural gas. At the time (and still today), Qatar Petroleum, which is owned by the Qatar government, was a huge holder of natural gas so we were looking to import a lot from them when needed, therefore, Qatar Petroleum, invested capital into building this port, to the point where they owned 70% of it. Exxon owns 17.6% and ConocoPhillips at 12.4%. But, we found the goldmine of natural gas. GoldenPass was then restructured to *export* natural gas and guess who gets 70% of profits… that's right, Qatar. Exxon will still make tons of money with 17.6% of the pie too.

Most people may say that these natural gas companies will create jobs in the US and boost our economy, and I agree with them completely. However, how much of a boost are we looking at? Studies have shown that we have enough natural gas to last the United States roughly 70-100 years. Key phrase: the United States. We do not have nearly enough natural gas to supply the fast growing consumption giants of the world such as India and China. After we extinguish these resources, these natural gas companies will have absolutely no interest in the US and will not hesitate to move elsewhere. Thus any jobs or boost in the economy will be short-lived and the natural gas that is rightfully ours will be stripped away from us within a few years.

Instead, I propose we use basic economics and idea that exporting good helps business but hurts consumers because we have less consumption goods. The way to overall help our economy is to make the US a more attractive place for business to come and produce goods. We've all heard this especially in the recent elections but no one has ever told me *how* we're going to do this. Natural gas is a solution.

Natural gas at the moment is not a great option for Mom and Dad to drive to work because of the scarcity of fuelling stations. However, there is a great application for businesses that utilize on-site fueling stations, such as freight trucks and machinery operating on gasoline. Trucks are usually meant to be replaced after 5-7 years and can be replaced with natural gas vehicles. Machinery engines can be replaced with a natural gas engine relatively easily as well. While the world struggles with energy and energy costs, we have an opportunity to make the United States one of the most cost effective places to produce goods. What China has with cheap labor, we can make up with energy cost effectiveness. This will ultimately create jobs here.

These companies, however, still need to make profit and need incentive to drill for natural gas. We know there is a demand for natural gas, and that demand will increase once we start to incorporate cheap natural gas into our factories, luring in factories overseas. The second requirement for this to work is to have a regular and long-term supply of natural gas, not the 2-5 years that the report talks about. Shell is planning on building a cracker plant in either Pennsylvania or Virginia, but only if they have a regular and steady amount of natural gas to be tapped.

I propose that the DOE not let companies export natural gas unlimitedly. The amount natural gas exported should be based on the amount of natural gas the company sold locally. (i.e. allow 10% to be exported if 90% is sold locally or 20% to be exported with 80% sold locally) This ratio should be adjusted on regular basis (monthly or quarterly) to keep the local market prices low and steady. If for some reason, these companies are struggling to make profit, the ratio will favor the exports and the company will be allowed to come out of the red. Unlimited exports will cause the world price to drop too much too fast. This will also instigate countries such as Qatar to sell their assets quickly while the natural gas prices are still high, and we will end up extinguishing the world supply without fully reaching its potential in American industries and manufacturing.

To conclude, I'd like to say that there is a chance that this study is wrong. It is simply a very educated guess and even though it is done by some of the best professionals, there is still a chance that it could have predicted something wrong, concerning its economic benefits to the United States. But, if we go along with what the study suggests and it is wrong, we will already be too deep into it to make corrections and the amazing potential our natural gas offers will have gone to waste. However, with my plan, if I am wrong, we will not have gone through too much of our natural gas resources in the same 2-3 years and we will be able to change, simply by changing the ratio to 10% imports/90% exports and we can try the plan outlined by the study.

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From:	Joshua Koshy
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Subject:	2012 LNG Export Study
Date:	Wednesday, January 23, 2013 10:05:24 PM
Attachments:	Natural Gas Study.docx

The file is attached.

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