

APGA's View of LNG Exports

NCSL's 2014 Energy Policy
Summit

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About APGA

The voice and choice of public gas

APGA is the only national trade organization representing America's publicly-owned natural gas local distribution companies (LDCs).

- 1,000 public gas utilities in 37 states
- About 5,000,000 customers nationwide
- 120,000 miles of main
- 21,000 public gas employees
- System size ranges from Philadelphia with 500,000+ meters to Freedom, Oklahoma with 12 meters

Arguments Against Export

- Price Impacts upon Consumers
- Energy Security/Trade Deficit
- Increased Demand in the United States

LNG Export by the Numbers

40 Applications to date with a total export capacity of roughly 39.3 Bcf/d for FTA countries (35.95 for non-FTA countries) which is 55% of daily natural gas consumption.

- 9 applications approved (10.55 Bcf/d approved)
- APGA filing motions to intervene in opposition to applications from lower 48 states

LNG Export Basics



- Supporters of LNG exports focus only on the top level conclusions: LNG exports provide net benefits to the U.S.
- However, they don't talk about the fact that according to free trade theory, there are winners and losers created from LNG exports.
- The losers in LNG exports are every other sector of the U.S. economy (other than producers and exporters) according to the NERA study

Impacts Upon Consumers



- LNG Exports are a wealth transfer. Who says? The NERA consulting study touted by proponents.

NERA Consulting Study:

- NERA p. 7, “Expansion of LNG exports has two major effects on income: it raises energy costs and, in the process, depresses both real wages and the return on capital in all other industries.”

Impacts on US Econ:



NERA P. 9

Figure 4: Change in Total Wage Income by Industry in 2015 (%)

| | AGR | EIS | ELE | GAS | M_V | MAN | OIL | SRV |
|-------------|-------|-------|-------|------|-------|-------|------|-------|
| USREF_SD_LS | -0.12 | -0.13 | -0.06 | 0.88 | -0.10 | -0.08 | 0.01 | 0.00 |
| USREF_SD_LR | -0.22 | -0.28 | -0.18 | 2.54 | -0.24 | -0.19 | 0.01 | -0.04 |
| USREF_D_LS | -0.08 | -0.10 | -0.06 | 0.87 | -0.08 | -0.07 | 0.00 | -0.01 |
| USREF_D_LR | -0.18 | -0.23 | -0.16 | 2.35 | -0.21 | -0.16 | 0.00 | -0.05 |
| USREF_SD_HS | -0.15 | -0.18 | -0.06 | 0.88 | -0.11 | -0.10 | 0.01 | 0.00 |
| USREF_SD_HR | -0.27 | -0.33 | -0.18 | 2.54 | -0.26 | -0.22 | 0.01 | -0.03 |
| USREF_D_LSS | -0.06 | -0.07 | -0.03 | 0.43 | -0.05 | -0.04 | 0.00 | 0.00 |
| HEUR_SD_LS | -0.10 | -0.11 | -0.05 | 0.71 | -0.09 | -0.07 | 0.01 | 0.00 |
| HEUR_SD_LR | -0.19 | -0.23 | -0.16 | 2.04 | -0.22 | -0.16 | 0.00 | -0.04 |
| HEUR_SD_HS | -0.12 | -0.14 | -0.05 | 0.71 | -0.09 | -0.08 | 0.01 | 0.00 |
| HEUR_SD_HR | -0.25 | -0.30 | -0.16 | 2.05 | -0.25 | -0.20 | 0.01 | -0.02 |
| HEUR_SD_LSS | -0.06 | -0.07 | -0.02 | 0.35 | -0.04 | -0.04 | 0.00 | 0.00 |
| LEUR_SD_LSS | -0.02 | -0.02 | 0.00 | 0.00 | 0.00 | -0.01 | 0.00 | 0.01 |

Impacts on US Econ:



- Manufacturing is one of the sectors hardest hit by exports as it is highly price sensitive.
- 530,000 manufacturing jobs since 2010.
- 5 million new jobs according to Boston Consulting Group by 2020 with affordable natural gas
- At least 3x the GDP impact of exporting manufactured goods vs. LNG exports.
- Trade Deficit: 2013 US Trade Deficit: \$471 billion
- Exporting LNG \$15 billion vs. Exporting Manufactured Goods: \$52 billion according to Charles Rivers Study

Impacts On Consumers



- What about its impact on homeowners and renters?
- Higher gas and electricity bills, as the domestic price of gas rises, bills go up and disposable incomes go down.
- Higher cost of goods and services of all types. Why? The cost energy is built into the cost of everything.
- And this is particularly bad for the 46.5 million people who live in poverty or just regular folks who don't own producer or exporter stocks. Who says?
- NERA p. 8, "Impacts will not be positive for all groups in the economy. Households with income solely from wages or transfers, in particular, will not participate in these benefits."

Impacts Cont.



- If you don't have stocks, pensions, or 401ks invested in producers or export companies, only see increased energy bills
- How many people actually have stocks?
- About 52% of people in the U.S. own stock directly or indirectly according to the Federal Reserve and a recent Gallup poll. Pew Research did a survey that found only 47% did.
- So call it 50% own any stocks but that is misleading as Federal Reserve Board of St. Louis in 2012 says, "stock wealth is unevenly held, with the vast majority of stocks owned by a relatively small number of wealthy families."

Impacts Cont.



- NYU Economist Edward Wolff points out 10% of the people own 80% of the stock wealth.
- Going further, how many own oil and gas stocks and in what quantities? Owning 100 shares is different than 1 share.
- Oil and natural gas stocks make up 4% of pension plan stocks and similarly small percentages of IRAs or mutual funds.
- When it is all said and done, the export of LNG increases the costs for everyone, while benefitting a few. This violates the basic purpose of public policy and exports function as an Energy Tax.

Energy Security/Trade Deficit

American Public
Gas Association

- NGVs are competitive with conventional gasoline-powered vehicles. Natl Avg CNG price: \$2.19/GGE, Gas: \$3.65
- As the U.S. exports LNG, the price advantage of \$1 or more decreases, lengthening payback periods, making NGVs less competitive
- End result: More dependent on foreign oil. 35.3% of our \$471 billion trade deficit comes from foreign oil
- Still beholden to Saudi Arabia and Venezuela (in top 5 oil providers to U.S.)

Increased Demand in the United States



- Low price of natural gas and EPA rules regarding coal will further drive natural gas for generation
- U.S. coal-fired generation retirements will be significant
- Forecasts over 300,000 mw of natural gas-fired generation capacity additions in next 25 years
- Natural gas use increasing in manufacturing sector (8BCF), Elec (8BCF) NGVs (1BCF), FTA Exports to Mexico (5.5 BCF)= Conservative 22.5 BCF/day of new demand.
- That's after the price has already doubled since 2012



Questions?

CONTACT INFO

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