

**Rep. James Lankford (OK-05), Chairman, Subcommittee on Energy Policy, Health
Care, and Entitlements**
**Subcommittee Hearing: The Department of Energy's Strategy for Exporting Liquefied
Natural Gas**
Opening Remarks
March 19, 2013

Today, we are here to discuss the Department of Energy's strategy and process in reviewing applications to export Liquefied Natural Gas (LNG), specifically to non-Free Trade Agreement countries.

For countries with which we have a Free Trade Agreement covering natural gas, the Natural Gas Act of 1938 requires the Department of Energy to grant applications to export LNG. Such export is deemed to be consistent with the public interest and the authorization must be granted without modification or delay.

For countries with which we do not have a Free Trade Agreement covering natural gas, the Natural Gas Act still presumes the Department of Energy will grant the application to export LNG, unless the Department finds the proposed exportation will not be consistent with the public interest.

The issue we are here to discuss today is NOT if we should export natural gas.

- The US has exported natural gas via pipeline to Canada and Mexico since the 1930s.

We are also NOT here to discuss if we should export liquefied natural gas.

- The U.S. has exported LNG from the Kenai Peninsula in Alaska since 1969
- Again, by statute, the Department must approve LNG exports to FTA countries and the default position of exports to Non-FTA countries is a yes, unless DOE finds such export would not be consistent with the public interest.

And finally, we are NOT here to discuss if we should export liquefied natural gas to non-FTA countries.

- Again, the U.S. has exported LNG from Alaska to Japan, which is not an FTA country, since 1969.
- And in the Lower 48, in May 2011, the Department of Energy granted the first permit to export LNG to Non-FTA countries. That facility is currently under construction in Southwest Louisiana, and it will begin exporting LNG within two years.

We are not here even to discover for the first time the economic impacts of LNG exports.

- DOE has already commissioned and released the results of a two-part study. The first part was conducted by the U.S. Energy Information Administration (EIA), and the second part was conducted by NERA Economic Consulting. David Montgomery of NERA was invited to testify today, but due to a last-minute scheduling conflict, has submitted written testimony for the record.
- The DOE studies concluded that "for every one of the market scenarios examined, net economic benefits increased as the level of LNG exports increased" and that "exports of natural gas will improve the U.S. balance of trade and result in a wealth transfer into the US."
- Two additional studies have also been commissioned on LNG by Brookings and Deloitte, who will also testify today on the risks and potential gains for our economy and global relationships.

As a nation, we have already decided exporting is consistent with our public interest, and we will continue to export natural gas by pipeline and LNG to FTA and Non-FTA countries. So really, the only issue here is how and when the Department will process the approximately 20 remaining LNG export applications in the queue. Every other applicant is now significantly behind the first permit holder, which was permitted almost two years ago, and it is essential that the process moves fairly and expeditiously.

Today's question is really a narrow and simple set of process questions, although each answer has enormous implications for our international economic relationships and capital investments at home.

When will DOE make its determination of "public interest," and what are the specific criteria in that decision, especially since the law encourages a default yes answer to exports? The two DOE requested studies are complete. They both show a favorable gain for our nation when we export LNG; now the comment period and replies are also complete.

Will the DOE seek to limit the number of billion cubic feet (BCF) that can be exported per day? Has DOE already set a certain amount of LNG to export, and if so, how was that limit chosen? Will the DOE seek to limit the number of export facilities permitted and thus allowed to compete and explore for contracts worldwide? What role will the market or geopolitical goals play in these decisions?

When can potential exporting companies begin competing for contracts? There are not an infinite number of contracts that can be acquired worldwide, if we delay making the decision on permitting, other countries with a more efficient bureaucracy will beat us. The U.S. has a great head start in terms of technology, experience, pipeline infrastructure, and processing. We have developed financial and legal systems to support gas development, but these advantages won't last forever.

There are massive shale gas fields around the world. China and India have invested in the Marcellus Shale in order to learn more about our technologies. Currently, Australia has eight LNG export facilities under construction. We have one. The demand window is open, and we can step through it or delay until it is closed. If DOE intends to delay the decision to export to reduce the opportunity for global contracts, that is also something we should know. But I don't believe that is the Administration's intent. In December 2012 President Obama said to TIME Magazine, "The United States is going to be a net exporter of energy because of new technologies and what we're doing with natural gas and oil." The President also recognized that these "energy [developments] could have a huge geopolitical consequence." For decades energy has been used as a diplomatic tool against the US. Now with LNG, the US has the potential to flip that and be in a position to use energy as a tool to the benefit of our nation's strategic interests.

Now that DOE has completed its first permit and developed a system, what will be the timing and system to permit the remaining applicants? With billions of private capital at stake, how can you make the process neutral, fair and expedited? How quickly can that process be released and how can we complete the process so our nation can move forward with energy exploration jobs, construction jobs, Midstream jobs and the narrowing of our trade deficit?

Uncertainty destabilizes a free-market economy. It is time to provide timelines, decision making criteria and show the fairness of the process to everyone involved. I look forward to the answers to the key issues today.

Other fact from this morning that you may want to work in:

- Due to a lack of demand and the suppressed price, today there are fewer natural gas drilling rigs operating in the U.S. than at any point since 1999.