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DOE: Lake Charles Exports, LLC; Application to Amend Export Term Through December 31, 2050, for Existing Non-Free Trade Agreement Authorizations	))))	Docket Nos. 11-59-LNG 16-110-LNG
DOE: Lake Charles LNG Export Company, LLC; Application to Amend Export Term Through December 31, 2050, for Existing Non-Free Trade Agreement Authorizations	))))	Docket Nos. 13-04-LNG 16-110-LNG

NOTICE OF INTERVENTION, PROTEST AND COMMENT BY THE INDUSTRIAL ENERGY CONSUMERS OF AMERICA

The Office of Fossil Energy and Carbon Management (FECM) (formerly the Office of Fossil Energy) of the Department of Energy (DOE) gave notice (Notice) of receipt of an application (Application), filed on May 24, 2022, by Lake Charles Exports, LLC (LCE) and by Lake Charles LNG Export Company, LLC (Lake Charles LNG Export) to amend the export term set forth in its current authorizations to export liquefied natural gas (LNG) to non-free trade agreement countries, DOE/FE Order Nos. 3324-A and 4011 (both as amended), to a term ending on December 31, 2050.

I. Industrial Energy Consumers of America

The Industrial Energy Consumers (IECA) of America is a nonpartisan association of leading manufacturing companies with $1.1 trillion in annual sales, over 11,700 facilities nationwide, and with more than 1.8 million employees. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, independent oil refining, and cement.

II. Comments

The Industrial Energy Consumers (IECA) submits this Motion to Intervene in opposition. Under the Natural Gas Act (NGA), not only is it not in the public interest to amend the export term set forth in the current authorizations to export LNG to non-free trade agreement countries (NFTA) to a term ending on December 31, 2050, the existing application to export is also not in the public interest.

IECA is entering into today's record comments that were filed on July 27, 2018 in response to the U.S. Department of Energy's (DOE) Study on "Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports". The study was used to justify approval of large volumes of LNG to NFTA countries and was fundamentally flawed and purposefully constructed in a manner to justify exports without consideration to the public interest. Export volumes approved based upon this study and previous studies are not in the public interest. We also believe this study violated the Data Quality Act. The DOE has put in place an LNG export policy, not a policy that balances the need for reliable and affordable energy for the benefit of our economic and national security interests. The public interest standard calls for U.S. consumers and the economy to be the priority, not LNG exports. The opposite is true today.

We offer three quotes from the DOE study as further evidence that export extensions to 2050 and authorizations of the applications to export are not in the public interest:

> Page 65 of the study says, “U.S. consumer well-being increases with rising LNG exports.” If fact, the reality has been just the opposite. We have seen a linear relationship of rising natural gas and electricity costs with increased LNG exports that have added tens of billions of dollars to energy costs that have fueled inflation nationwide and challenged reliability. Only a narrow sector of the economy has benefited (exporters, oil and gas companies) while every citizen and the economy in general has been negatively affected.
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> Page 67 of the study says, “Under these export scenarios, as U.S. LNG exports increase, U.S. households who hold shares in companies that own liquefaction plants receive additional income from take-or-pay tolling charges for LNG exports. <u>The additional sources of income for U.S. consumers outweigh the income loss associated with higher energy prices</u>.” The facts are quite different than the claim by the study. It is only a handful of large corporations, including foreign companies that own these export terminals and financially benefit, not households.
>
> The study price projections underestimate the impact to domestic prices. On page 17, the reference case states, “These central cases have a combined probability of 47% and prices range from \$5.00 to about \$6.60 per MM Btu in 2040”. In fact, in 2022 prices have risen as high as \$9.28/MM Btu.

With only 13.18 billion cubic feet per day (Bcf/d) of nameplate LNG capacity operating (17.6% of net 2021 supply), prices have been negatively impacted. The FERC reports that more are on the way and that there is approved and under construction another 6.58 Bcf/d (8.7% of 2021 net supply) and 20.8 Bcf/d that is approved and not under construction (27.8% of 2021 net supply). The DOE’s website reports that they have approved a total of 63 Bcf/day of exports to NFTA countries, a volume equal to 84% of 2021 net supply. Individual and cumulative export volumes of this magnitude cannot possibly be in the public interest.

The volume of natural gas resources in the ground is meaningless unless it can be delivered to consumers. The last eight months have illustrated that levels of production are very uncertain and that pipeline availability is as well. Other uncertainties include, weather that causes extreme heat or cold, federal and state public policies and activist groups that can stop or slow the drilling and building of pipelines. None of these uncertainties were considered by the DOE in their studies used to justify export applications and the opportunity to extend their terms to 2050.

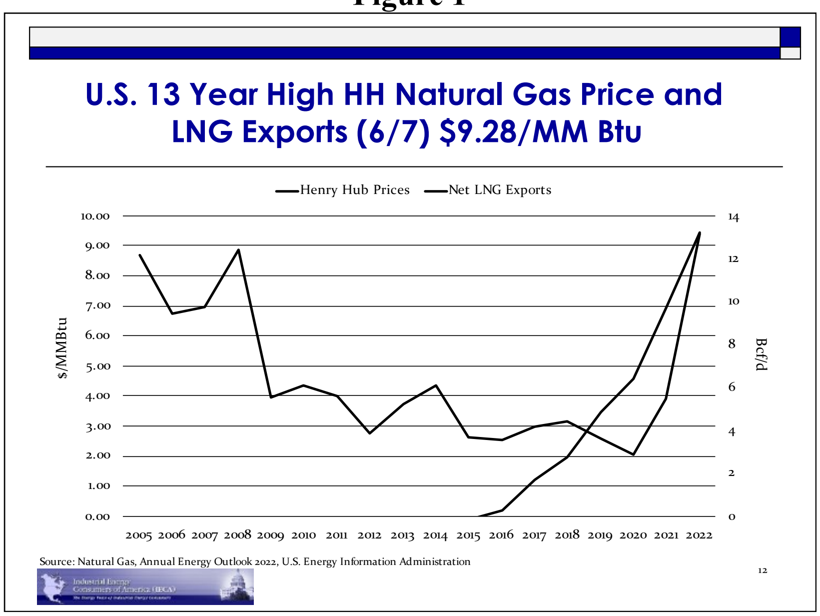
It is unrealistic to not consider these uncertainties. DOE decisions regarding LNG exports that do not take these uncertainties into consideration are not in the public interest. To not consider these uncertainties places reliability at risk and drives up prices. Reliability is central to both economic and national security. These combined uncertainties are unique to natural gas.

The DOE policy to extend the terms to December 31, 2050 is a very bad policy because it transfers supply and price risk from exporters to consumers. The 2050 policy gives foreign countries guaranteed access to our market, while consumers have no alternative. Consumers are captive. The uncertainties associated with whether supply will be adequate by 2050 for the domestic market are very significant.

If not for LNG exports, the U.S. Henry Hub natural gas price would have never increased to $9.28/MMBtu on June 7, breaking a 13-year record. At $9.00/MMBtu versus the average price of $3.89/MMBtu in 2021 would cost consumers $156 billion annually. Price volatility has soared. In figure 1 it shows the direct relationship between higher export volumes and prices.

Wholesale power prices would not have increased over 200% nationwide. While natural gas-fired power is only 38 percent of total power generation, its sets almost 100% of the electricity prices nationwide. For example, PJM's wholesale power prices in June 2022 rose to $80/MWh, a 266% increase versus $30/MWh in 2021. For every one dollar increase in natural gas, electricity prices increase by $13 per MWh.

Figure 1



But for LNG exports, U.S. inventories would not have fallen to levels 17% below the previous year. If the Freeport LNG terminal fire had not occurred, national inventories would have become (and still may) dangerously low for reliability by the winter of 2022-2023.

The Freeport LNG fire illustrates the negative impact that LNG exports have on domestic prices (see figure 3). It is important to note that Freeport has only 2 Bcf/d of export capacity. But, when supply and inventories do not keep up, even relatively small volumes have significant leveraging effects on prices.

On June 7, 2022, the day before the fire, the Henry Hub natural gas price closed at \$9.28/MMBtu. On June 8, the day of the fire, the price closed at \$8.69/MMBtu. On June 14, Freeport LNG announced it would not resume exports until late 2022. Prices immediately fell to around \$7.21/MMBtu, an annual cost reduction of \$63 billion to U.S. consumers.

What happened last winter illustrates that the DOE studies used to justify approval of LNG export facilities were seriously flawed by not considering real and common uncertainties. A core issue is that the DOE studies solely relied upon an unrealistic assumption that production will always exceed the combination of domestic and export demand.

Last winter total demand exceeded supply by 14.9 Bcf/d and as a result, prices rose to over \$9.00 /MMBtu. If there were no LNG exports there would have been plenty of supply for the domestic market and prices would have been in the price range of past years. U.S. production totaled 95.6 Bcf/d and domestic demand was 99.5 Bcf/d, which means that supply for the domestic market was short only 3.9 Bcf/d. A shortfall of this small magnitude would not have caused much of a price increase as has been the case in recent years.

Total demand (domestic demand plus LNG/pipeline exports) equaled 119.2 Bcf/d. Canadian pipeline imports accounted for 8.7 Bcf/d. LNG exports created a shortfall of 14.9 Bcf/d (see figure 2). Because of high LNG exports, inventory levels fell to 17 percent below the previous year.

Figure 2

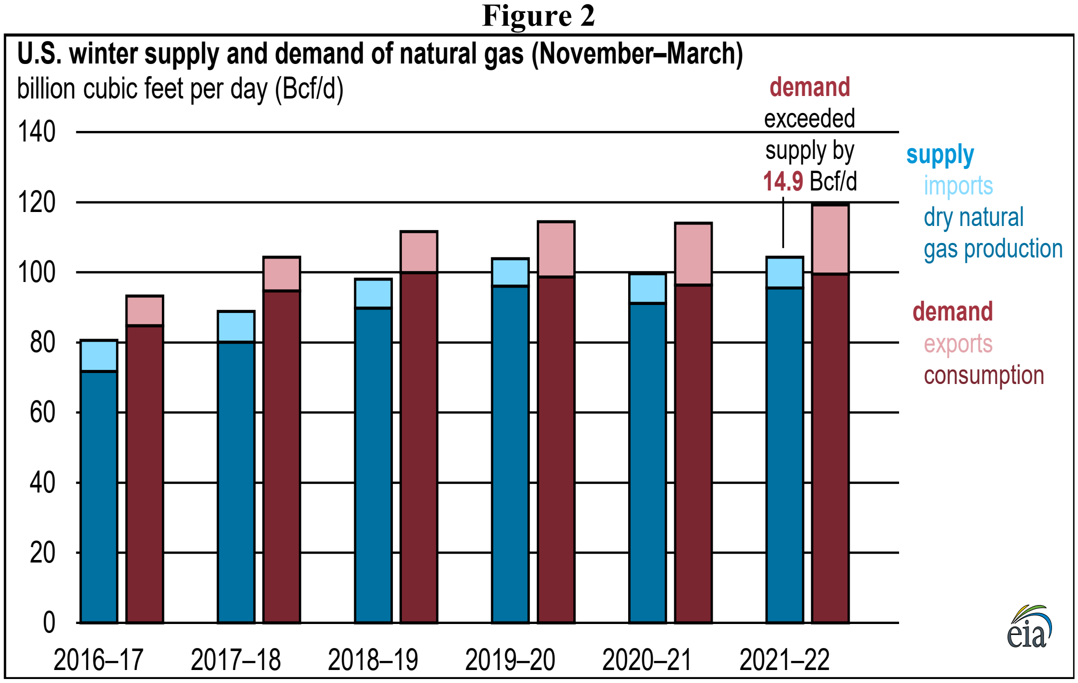
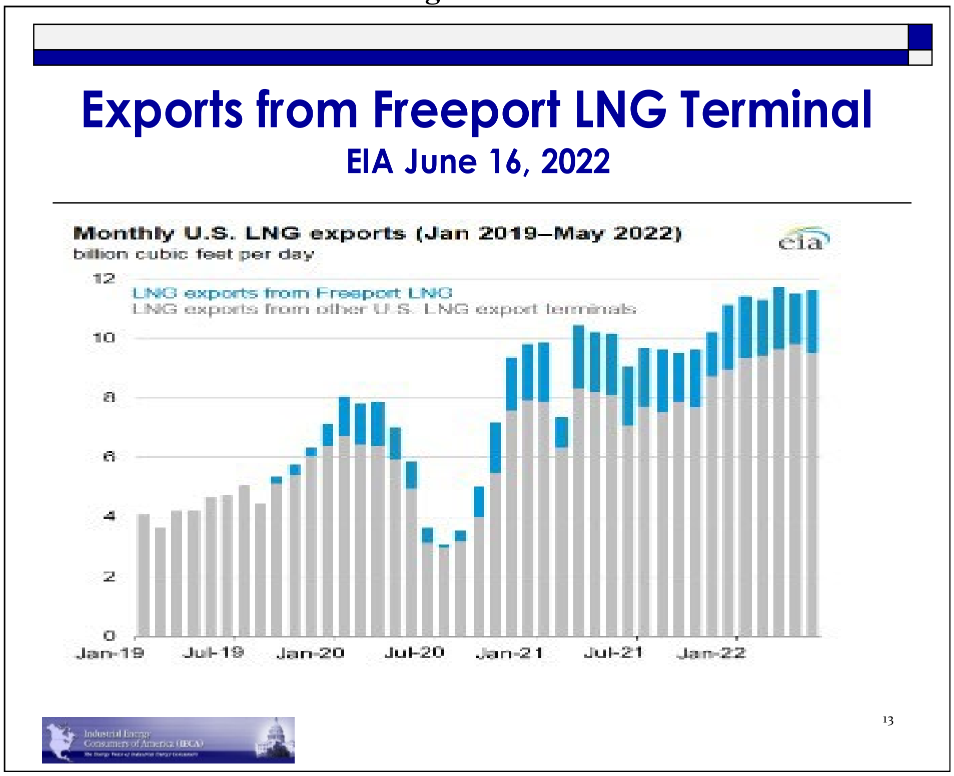


Figure 3



Past Administrations have defined public interest as "net economic benefit." That definition does nothing to protect the public from reliability and high price concerns due to real and common natural gas market uncertainties. The recent history on price impacts illustrates that costs and inflation impacts exceed net economic benefits. Therefore, the Applications are not and have never have been in the public interest.

For these Applications, the Biden Administration's DOE has the latitude to define public interest as, "the export volume, individually or collectively must not materially impact the price of natural gas in the U.S." Doing so further supports the facts that these Applications do not qualify for the 2050 extension under the NGA.

There is a mistaken understanding about the public interest under the NGA. The NGA does not state that once a terminal is approved that it is in the public interest forever. As 100 percent consumers, we interpret the NGA public interest to mean that export volumes must "always" be in the public interest. Declaration of granting this Application or any other application to export under the public interest is not a one and done.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon on the applicant and on DOE/FE for inclusion in the FE docket in the proceeding in accordance with 10 C.F.R. § 590.107(b) (2013).

Dated at Washington, D.C., this July 6, 2022.

By: *Paul Cicio*

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