

**From:** [Williams, Kate \(Energy\)](#)  
**To:** [LNGStudy](#)  
**Cc:** [Williams, Kate \(Energy\)](#)  
**Subject:** Senator Murkowski Comments on 2012 LNG Export Study  
**Date:** Thursday, January 24, 2013 7:29:55 PM  
**Attachments:** [01-24-2013 Senator Murkowski Comments on DOE LNG Study.pdf](#)

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To Whom It May Concern:

Attached are Senator Lisa Murkowski's comments on the 2012 LNG Export Study. If you have any questions, please do not hesitate to contact me via the information below.

Thank you,

[Kate Williams](#)  
[Oil and Gas Counsel](#)  
[Senate Committee on Energy & Natural Resources](#)  
[202-224-2845 \(direct\)](#)  
[Kate\\_Williams@energy.senate.gov](mailto:Kate_Williams@energy.senate.gov)

LISA MURKOWSKI  
ALASKA

COMMITTEES:  
ENERGY AND NATURAL RESOURCES  
RANKING MEMBER  
APPROPRIATIONS  
HEALTH, EDUCATION, LABOR,  
AND PENSIONS  
INDIAN AFFAIRS

## United States Senate

WASHINGTON, DC 20510-0203  
(202) 224-6665  
(202) 224-5301 FAX

510 L STREET, SUITE 600  
ANCHORAGE, AK 99501-1956  
(907) 271-3735

101 12TH AVENUE, ROOM 329  
FAIRBANKS, AK 99701-6276  
(907) 466-0233

800 GLACIER AVENUE, SUITE 101  
JUNEAU, AK 99801  
(907) 586-7277

805 FRONTAGE ROAD, SUITE 105  
KENAI, AK 99611-9104  
(907) 283-6808

4078 TONGASS AVENUE, SUITE 204  
KETCHIKAN, AK 99801-5526  
(907) 225-6880

851 EAST WESTPOINT DRIVE, SUITE 307  
WASILLA, AK 99654-7142  
(907) 376-7665

January 25, 2013

The Honorable Steven Chu  
Secretary  
U.S. Department of Energy  
1000 Independence Ave., SW  
Washington, DC 20585

Re: 2012 LNG Export Study

Dear Secretary Chu:

I am writing in support of the report entitled "Macroeconomic Impacts of Increased LNG Exports From the United States" (NERA Study), completed by NERA Economic Consulting at the request of the Department of Energy as part of the Department's LNG Export Study. I am also writing to express my support for LNG exports more generally.

First, it is important to note that NERA, in its report, adequately completed the work it was tasked to do by the Department, namely, analyze the "macroeconomic" impact of the export of LNG on the U.S. economy. The Department did not ask NERA to analyze "microeconomic" impacts, so the report appropriately did not provide explicit detail on specific impacts to various sectors of the U.S. economy. The NERA report should be reviewed keeping this context in mind.

The report looks at the impact of LNG exports under a wide range of different assumptions about the level of exports (ranging from zero to unlimited exports), global market conditions, and the cost of producing natural gas in the U.S. Significantly, across each and every scenario analyzed, the report finds that the export of LNG results in net economic benefits to our economy, and moreover, that benefits increase with the level of exports. This is important as we continue to climb out of recession and deal with the federal deficit.

I am not advocating for the immediate approval by the Department of all the applications for LNG licenses that have been submitted. However, as the law requires, I do believe the Department should move forward, process applications and grant export licenses for projects that are in the "public interest." Exporting LNG, particularly to allies that face emergency or chronic shortages, but with whom we do not have free trade agreements, is in the public interest – helping ensure that the U.S. moves toward improved trade balance, and, energy security.

Much concern has been raised about the impact of LNG exports on the price of natural gas domestically. While the report concludes that U.S. natural gas prices would increase when LNG is exported, these increases remain relatively low across all of the scenarios. Specifically, if the U.S. starts exporting, the report finds that price increases could range from zero to \$0.33 (2010 \$/Mcf), and five years out, when the largest price increases may occur, that price increases could range from \$0.22-\$1.11 (2010 \$/Mcf). Notably, this slight rise in prices may actually increase the exploration and development of natural gas in the U.S., as current prices have made many projects uneconomic, forcing operators to shut-in wells or abandon projects completely.

Despite the report's findings, concern has been expressed that U.S. natural gas prices will increase to the high levels experienced in overseas markets, such as Japan, if LNG exports are allowed. But, these price differentials are almost fully attributable to the costs associated with liquefaction, transportation and regasification. In the end, if the U.S. is to remain competitive in the global LNG market, market forces will limit how high U.S. natural gas prices can go. Gas is a fungible commodity and markets will simply import supply from elsewhere if the price of gas in the U.S. is more expensive than in other exporting countries.

Similarly, the market will limit how many LNG export projects move forward and actually get built, thus restricting the amount of natural gas that will be exported overseas. LNG export facilities are mega-projects, ranging in cost from \$8 billion-\$65 billion depending on the amount of existing infrastructure. The financial market will only support so many of these projects. Importantly, these projects must be backed by long-term supply contracts, and there are only a limited number of these.

Finally, the Department of Energy's licensing process is only one of many federal approvals and processes that must be completed for LNG export projects to move forward. Authorization from the Federal Energy Regulatory Commission (FERC) must also be obtained. And, both the Department's licensing process and FERC's authorization process include review under the National Environmental Policy Act for environmental impacts.

In summary, I urge the Department to move forward with its review of the pending LNG export license applications. The NERA report re-affirms established economic theory – when barriers to trade are removed, net economic benefits will be realized. Market forces will ultimately limit how high U.S. natural gas prices will rise, the number of LNG export facilities constructed in the U.S., and thus, the amount of gas exported overseas. I urge the Department to move forward with its review of the pending LNG export license applications; the Department's licensing process is only one, albeit important, step in the process to export LNG.

Sincerely,



Lisa Murkowski  
United States Senator