Larine Moore

From: Hugh MacMillan [hmacmillan@fwwatch.org]
Sent: Thursday, January 24, 2013 4:12 PM
To: LNGStudy
Subject: 2012 LNG Exports Study
Attachments: FWW Comments NERA study FINAL.pdf

Attached are comments on the 2012 LNG Exports Study.

Regards,
Hugh

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January 24, 2013

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Via email

RE: Comments on the 2012 LNG Export Study conduced by NERA

Thank you for the opportunity to comment on the 2012 LNG Export Study that the Department of Energy's Office of Fossil Energy (OFE) is undertaking as it evaluates whether or not exports of liquefied natural gas (LNG) to countries with which the United States has no Free Trade Agreement (FTA) are in the public interest.

Our brief comments primarily focus on the macroeconomic impact study conducted by NERA economic consulting, as part of the larger 2012 LNG Export Study. On the basis of our concerns, we urge you to not authorize expanded LNG exports to non-FTA countries.

Overwhelmingly, public discourse has embraced the utilitarian economist argument that simply because a net benefit, as estimated in the NERA study, of expanded LNG exports is deemed to be positive, such exports must therefore be in the economic interests of the United States, and therefore also be consistent with the public interest. This reading of the NERA study is flawed, and must not be adopted by the OFE.

The NERA study suggests that the net economic benefits, as determined under the constraints and limitations of general equilibrium macroeconomic modeling, will not be enjoyed by a majority of the American public, stating in the executive summary that those Americans who rely on income from wages (as opposed to investment dividends, for example) "might not participate in these benefits." The NERA study further acknowledges that LNG exports will mean higher natural gas prices for American consumers,[a] and notes "In fact, most of the changes in real worker compensation are likely to take the form of lower than expected real wage growth, due to the increase in natural gas prices relative to nominal wage growth." (NERA study, page 9)

Now, the stated aim of the OFE's 2012 LNG Export Study is "to evaluate the cumulative economic impact of the Sabine Pass authorization and any future requests for authority to export LNG" (77 Fed. Reg. 73628 (December 11, 2012). Clearly, to remain true to this aim, the OFE must determine how the net economic impact of authorizing expanded LNG exports will be distributed among the U.S. population, yet the 2012 LNG Export Study has thus far failed to do so. The net impact on GDP must not be presumed as a reliable measure of the net impact on economic welfare.

But the burden of increased natural gas prices is not the only negative economic impact that that would accompany expanded LNG exports. Such exports would accelerate the pace of drilling and fracking, thus resulting in costs to local communities that are ignored in the NERA study. These costs include the crowding out of small businesses, particularly in the tourism and agriculture sectors, and the bust after a boom in extractive industries. As part of this bust, the communities affected will face long-term risks to local drinking water resources that will harm future prospects for economic development. Finally, all Americans will bear the escalating costs of global climate change, as it is driven in part by facilitating the oil and gas industry's interests in extracting as much fossil fuel as possible, as fast as it can.

In evaluating the cumulative economic impact of exporting LNG, the OFE has an obligation to address and quantify all of these reasonably anticipated costs. The U.S. DOE will be making an enormous mistake if it allows the oil and gas industry, and its Wall Street backers, to write federal energy policy at the public's expense.

Sincerely,

[a] Indeed, the oil and gas industry's interest in LNG exports is partly explained by the need for U.S. natural gas prices to increase to actually make drilling and fracking for shale gas profitable.