

Larine Moore

From: Jayant Sinha [sinha.jayanta@gail.co.in]
Sent: Wednesday, January 23, 2013 4:04 PM
To: LNGStudy
Subject: Comments on NERA Report on LNG Export Study from GAIL Global (USA) Inc
Attachments: Document.pdf

Dear Mr. John Anderson

Please find the attached letter on above subject.

Warm regards

Jayanta Sinha
President
GAIL GLOBAL (USA) INC.
333 Clay Street, Suite 3300
Houston, Texas 77002
Tel 713-217-2835



GAIL Global (USA) Inc.

A wholly owned subsidiary of GAIL (India) Limited

Email copy: LNGStudy@hq.doe.gov

GGUI/ DOE/LNG Export/ 2013

January 23, 2013

To,
U.S. Department of Energy (FE-34)
Office of Natural Gas Regulatory Activities
Office of Fossil Energy
Forrestal Building, Room 3E-042
1000 Independence Avenue, SW
Washington, DC 20585

Kind Attention: Mr. John Anderson

Subject: 2012 LNG Export Study

Dear Sir,

Please find attached herewith initial comments of our organisation under Public Comment Procedures on 2012 LNG Export Study, titled 'Macroeconomic Impacts of Increased LNG Exports from the United States' conducted by DOE.

Kindly include our comments in review process of the LNG Export Study.

Thanking you,

Yours Sincerely,

 01/23/2012
(Jayanta Sinha)

President

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Observations on NERA report titled “Macroeconomic Impacts of LNG Exports from the United States”

1. **Competitiveness of US LNG:** One of the major factors which NERA report has taken into consideration while evaluating the attractiveness of US LNG exports in various scenarios is delivered LNG price. Comparing the LNG supply option purely on the basis of price alone will not be appropriate from customer's perspective as most of the LNG supply from the rest of world is in the form of commodity unlike from US. The majority of US LNG terminals are working on tolling model, wherein customers become the terminal capacity holders and have to tie-up the upstream as well as midstream gas supply. Considering the risk associated in the process covering various elements in the value chain, the US LNG in comparison to LNG as commodity elsewhere shall not be that attractive if the price arbitrage is not huge. In addition to the above, the possibility of sustained increase in Henry Hub would diminish the attractiveness of US LNG.
2. **Criteria for approving non-FTA export authorization:** As more and more terminals have applied and/ or planning to apply for non-FTA export licence, more clarity on the US government's perspective/policy while granting non-FTA approval to US LNG terminals is required as this would be helpful for importers to focus their efforts on such terminals which fit in to the criteria.
3. **Clarity on possible revocation of Non-FTA export authorization:** One of the aspects which NERA report has not contemplated from importers perspective is no fault revocation of non-FTA licence. The Project Developers have conjured a situation under which there could be a possible rescindment of a non-FTA export authorization granted to an LNG Liquefaction Terminal due to no fault of either Project Developer or Terminal Capacity Holder / LNG Importer and the Project Developers are not inclined to accept such a revocation under the provisions of Force Majeure as a result of which the Terminal Capacity Holders / LNG Importers would have to take undue financial exposure of large magnitude for things which are beyond their reasonable control. In this regard, clarity on what could be the various criteria which could trigger a possible revocation of export authorization, the process to be followed for deciding on revocation, available redressal mechanism, warnings, associated penalties and final revocation along with timelines for implementing the entire process would be helpful.
4. **Tracking mechanism of US gas Exports:** With abundant supply of gas in North America and free movement of the same between US, Canada and Mexico, could any future export of LNG from Canada and Mexico be construed by DOE as indirect export of US gas and if so, what would the mechanism for determining the same. On a similar vein, what could be the mechanism for tracking LNG exported out of US for the purpose of assessing compliance to export conditionalities attached to DOE authorization, especially if it is either re-exported from the importing country or regasified and move through transnational pipelines to different FTA / non-FTA countries or displaces current imports which could then get exported without any restriction.
5. **Regulatory intervention to address the Gas price differential:** Currently there is a discrepancy between gas prices in North America, Europe and Asia. Will there be any possibility of regulatory intervention to reduce the price differential between US and other oil indexed LNG prices.