

**From:** [REDACTED]  
**To:** [LNGStudy](#)  
**Subject:** reply comments to initial comment # 76 on 01/23/2013  
**Date:** Monday, February 25, 2013 11:57:58 AM  
**Attachments:** [LNG.doc](#)

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Hello,

Please find attached document with "reply comments" to initial comment #76 on 1/23/2013 by Mr. Joshua Koshy.

Thank You,

Leny Mathew

The NERA study advocates unlimited export of US natural gas and contends that the economic gains from this would be greater than the costs for the country as a whole. The study states that “In particular, scenarios with unlimited exports always had higher net economic benefits than corresponding cases with limited exports. In all of these cases, benefits that come from export expansion more than outweigh the losses from reduced capital and wage income to U.S. consumers, and hence LNG exports have net economic benefits in spite of higher domestic natural gas prices” Also, according to the study, the economic gain for households will be through retirement savings, returns from investment through owning stocks in the natural gas production and exporting companies as well as rent and royalties to individuals from these companies. The study states that “Although there are costs to consumers of higher energy prices and lower consumption and producers incur higher costs to supply the additional natural gas for export, these costs are more than offset by increases in export revenues along with a wealth transfer from overseas received in the form of payments for liquefaction services. The net result is an increase in U.S. households’ real income and welfare”. In addition to the GDP, NERA use a measure of economic welfare defined as “the amount of income that a household would be willing to give up in the case without LNG exports in order to achieve the benefits of LNG exports. It is measured in present value terms, and therefore captures in a single number benefits and costs that might vary year by year over the period”.

The lion’s share of the economic benefit that is talked about in the study would be for the natural gas companies. The government would receive its dues through taxes. To be fair, the employees of the companies would gain from this, but the common man’s share of the pie would be significantly less. As suggested by the study, those who own shares of the natural gas companies, through pension funds or other investment vehicles would probably see an increase in wealth. For most people this increase in wealth would not be immediate in any way and would be rife with the uncertainties of the stock market. On the other side, the increase in the price of natural gas, and by extension, the price of electricity and other goods produced using natural gas would affect the household income in a very tangible way. From an average middle class family’s perspective, the price of natural gas is integral to the budget for the year. An increase in the price of natural gas in terms of cooking, heating and higher electricity prices, basic needs of a family, would create a significant dent in their purchasing power. The US has one of the lowest prices of natural gas in the world and as the study states that U.S. natural gas prices will increase when the U.S. exports LNG. So, for the common man, there is a powerful incentive to advocate against export. Nevertheless, if the export is done in a manner that does not significantly impact the domestic natural gas prices, then it is definitely advantageous to the country. This has to be done in a socially responsible manner and not primarily to improve the profits of the natural gas companies. A ratio as suggested by Mr. Koshy in the initial comment # 76 may be useful for this purpose.

In my opinion, the measure of economic welfare that NERA used is very theoretical and does not measure the differential in loss vs. gain in tangible wealth for the average household. I understand that creating a measure that encompasses the effect of LNG exports in household wealth across all income levels is difficult, but maybe a simpler measure of the wealth differential could be created and the analysis done stratified by income level. This might provide more insight into the effect of LNG exports on the average US household. The study states that the effect of LNG exports on industry will be on select areas, but at this time when many industries are hoping to take advantage of the increased availability of natural gas to improve efficiency and their carbon footprint, an increase in the price would be a non-trivial setback their plans. In summary, the export of LNG, which has become a critical fuel source for the U.S, should be regulated in order to maximize the revenues as well as the many costs to the country.