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April 29, 2014

The Honorable Fred Upton  
Chairman  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Henry Waxman  
Ranking Member  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Upton and Ranking Member Waxman:

For the first time in generations, the United States is an energy superpower. Since 2009, the U.S. has been the world's top natural gas producer. This is good news that not only benefits the U.S. economy and American consumers; it has strengthened our energy security and provided America with an historic opportunity to utilize our resources as a balance against turmoil in the international energy markets. Today, the world is watching closely to see if American policymakers are ready to harness that power. Toward that end, the American Petroleum Institute thanks the Committee for considering H.R. 6, the Domestic Prosperity and Global Freedom Act, and encourages support from Committee members.

American innovations in hydraulic fracturing and horizontal drilling have unlocked vast energy reserves here in the United States. We now have enough natural gas to not only supply low-cost energy here at home but also to participate as a major supplier in the global market for liquefied natural gas (LNG). But to achieve that goal and bring home the economic benefits of stronger exports, we need continued support from policymakers in Washington. Our industry is prepared to invest billions in LNG export terminals, each of which represent a multimillion dollar investment in infrastructure, as well as long-term investments in U.S. labor and materials. Yet, over 20 applications for export permits remain on hold at the Department of Energy (DOE). By expediting the permitting process for LNG exports to World Trade Organization (WTO) nations, H.R. 6 will accelerate investment in the U.S. economy and send a powerful signal that the U.S. is ready to lead.

Despite the widespread economic benefits of LNG exports, some have expressed concern that exporting natural gas will impact the energy price advantages that our abundant resources now provide to the manufacturing sector and U.S. consumers. These concerns are not supported by objective reviews, including the NERA study commissioned by the Department of Energy (DOE), which shows that LNG exports would yield net economic benefits to America across all scenarios. More recently, NERA updated its study to reflect the latest data from the Energy Information Administration (EIA). It shows that domestic energy prices will remain competitive across all export scenarios, as new demand is



matched with higher production. NERA also concluded that LNG exports would add jobs and reduce near-term unemployment.

The benefits will flow to consumers in the form of reliable and affordable energy, to workers in the form of thousands of new jobs, and to U.S. citizens in the form of greater energy security. And, according to a recent analysis by ICF International, the economic benefits of LNG exports will extend far beyond natural gas-producing states, driving national job growth and increasing demand for U.S. steel, cement, equipment, and other goods (see attached summary paper). According to ICF, the export of LNG could yield an additional 665,000 U.S. jobs, reduce our nation's trade deficit, increase government revenues, and significantly grow the economy.

That is why support for LNG exports is strong across the country, and why bipartisan legislation like H.R. 6 is critical to our future economic strength. We welcome the work the Energy and Commerce Committee is doing to make LNG exports a priority and continue to call on the DOE to quickly approve all pending applications. What we do today matters. Now is the time to build our energy infrastructure, expand exports, and lock in the economic and geopolitical opportunities that our energy revolution has created.

Please contact me if we can be of any assistance with your efforts.

Sincerely,

A handwritten signature in black ink that reads "Jack Gerard". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jack Gerard

## Key Findings on State-Level Economic Impacts of U.S. LNG Exports

This state-level study follows a national-level study on the economic and employment impacts of liquefied natural gas (LNG) exports from the United States done on behalf of the American Petroleum Institute (API).<sup>1</sup>

### National study assessed LNG export impacts on three export levels:

- **ICF Base Case (4 Bcfd)**
- **Middle Exports Case (8 Bcfd)**
- **High Exports Case (16 Bcfd)**

Note: Bcfd denotes billion cubic feet per day.

This state-level analysis allocates national-level LNG export impacts among each U.S. state. Similar to the national-level study, which found overwhelmingly positive economic and employment

impacts associated with LNG exports, this study concludes that LNG exports have a net positive impact, or negligible net impact, across all states.

### Largest impacts found in states with:

- **Natural gas, oil, and natural gas liquids (NGL) production**
- **LNG production**
- **Ethylene manufacturing**
- **Industries supplying materials, products, and services to the oil and gas and petrochemical industries**
- **Consumer spending activity generated by gas- and petrochemical-related activities**

**Economic Impacts:** Of the up to \$115 billion net Gross Domestic Product (GDP) value added generated by LNG exports in 2035, natural gas-producing states such as Texas, Louisiana and Pennsylvania are expected to see increases in state income up to \$10-\$31 billion that year. Non-natural-gas-producing states with a large manufacturing base, such as Ohio, California, New York, and Illinois, see significant impacts, up to \$2.6-\$5.0 billion in 2035.

**Employment Impacts:** LNG exports are expected to contribute up to 665,000 net job gains nationwide in 2035, with all states seeing net positive employment impacts from LNG exports.<sup>1</sup> As with state income impacts, gas-producing states are expected to see the largest employment impacts, with Texas, Louisiana, and Pennsylvania expected to achieve up to 60,000-155,000 job gains in 2035. Large manufacturing states such as California and Ohio could see up to 30,000-38,000 job gains in 2035.

### 2035 State Income and Employment Impacts for Top Ten States

State	2035 Maximum State Income Changes (\$2010 Billion)			2035 Maximum State Employment Changes (No.)		
	ICF Base Case	Middle LNG Exports Case	High LNG Exports Case	ICF Base Case	Middle LNG Exports Case	High LNG Exports Case
TX	\$5.2	\$12.1	\$31.4	28,019	61,752	155,713
LA	\$5.0	\$11.8	\$16.2	21,795	52,568	74,218
PA	\$2.8	\$6.7	\$10.3	16,650	38,565	59,289
AK	\$0.0	\$0.0	\$10.0	99	88	36,622
OH	\$1.2	\$2.6	\$5.1	7,483	14,819	30,124
CA	\$1.1	\$2.3	\$5.0	8,756	15,701	38,981
NY	\$0.8	\$1.6	\$3.3	5,688	10,602	24,985
WY	\$0.7	\$1.7	\$3.3	4,302	9,454	17,854
AR	\$0.9	\$2.1	\$3.1	5,321	12,438	18,285
IL	\$0.6	\$1.2	\$2.6	3,995	7,117	17,341

Note: Calculated using an economic multiplier of 1.9.

<sup>1</sup> Study available at <http://www.api.org/~media/Files/Policy/LNG-Exports/API-LNG-Export-Report-by-ICF.pdf>.

# Manufacturing Across the LNG Value Chain

Upstream

• Natural gas and liquids drilling and production manufacturing needs: Drill pipe and steel casing, cement, compressor equipment, tanks, control systems

Midstream

• Natural gas processing and transport manufacturing needs: Pipeline, materials for processing facility construction

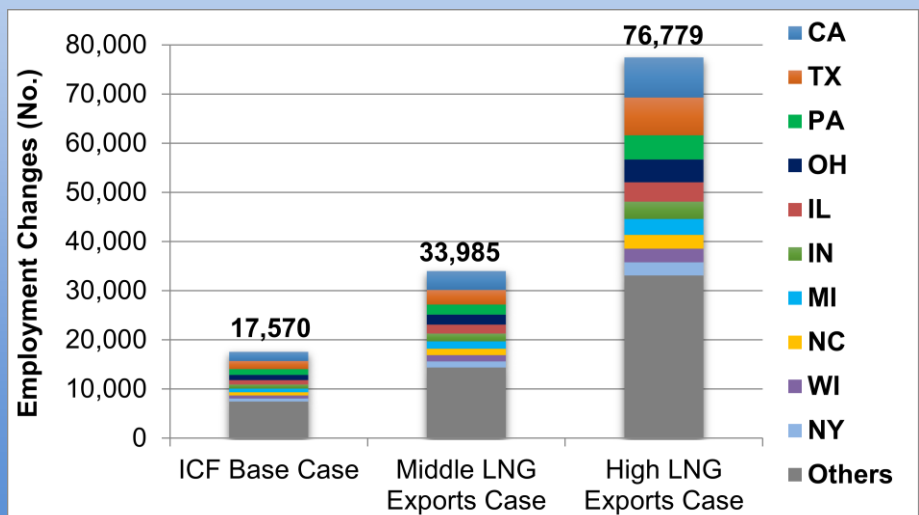
Downstream

• Liquids refining, petrochemical processing, liquefaction plant manufacturing needs: Construction materials and equipment, LNG port facilities



**Manufacturing Employment Impacts:** Of the up to net 77,000 manufacturing jobs generated by LNG exports by 2035, states such as California, Texas, Pennsylvania, and Ohio are expected to see gains of up to 4,600-8,200 in 2035. In addition to the in-state construction and maintenance generating manufacturing jobs for gas-producing states such as Texas and Pennsylvania, out-of-state manufacturing is required for production of steel, cement, and equipment.

**2035 State Manufacturing Employment Impacts by State**



Note: Calculated using an economic multiplier of 1.9. The table shows maximum impacts for all states, and shows maximum impacts for states with a potential LNG export terminal.

## Key Takeaways:

- **Economic and employment impacts to states positive, or negligible**
- **Manufacturing of natural gas production equipment and materials is expected to generate significant job gains in a number of states**
- **The largest overall impacts are found in states with natural gas production, liquefaction plants, and petrochemical industries, as well as states providing goods and services (e.g., manufacturing) to those sectors**