Industrial Energy Consumers of America (IECA)

The Voice of the Industrial Energy Consumers

"AMERICA FIRST LNG INVENTORY POLICY"

TO PROTECT THE PUBLIC INTEREST AND TO INSULATE THE U.S. CONSUMER FROM THE NEGATIVE IMPACTS OF LNG EXPORTS

Prudent action is necessary to protect the competitiveness of U.S. manufacturing and jobs.

There is a direct relationship between the price of natural gas and manufacturing jobs (see Figure 1). When the price of natural gas increases the price of electricity also increases and competitiveness is impacted and employment decreases. The manufacturing sector consumes 26 percent of U.S. natural gas and electricity. Industry is energy-intensive, price sensitive, and competes globally (see Figure 2). When natural gas prices increase, it impacts the competitiveness of the entire manufacturing sector which puts the 13 million people it employs at risk. Small price changes have big impacts. For every one dollar increase in the Henry Hub natural gas price, consumers pay on average $34 billion more for natural gas and $20 billion more for electricity, for an estimated total of $54 billion annually. Unlike other commodities, consumers of natural gas are captive and do not have an alternative. Therefore, it is prudent that action is taken to implement the "America First LNG Inventory Policy" to insulate the U.S. consumer from the impacts of ever-increasing LNG export volumes.

DOE has the authority to take action to insulate U.S. consumers from higher prices and declining reliability that can occur when natural gas inventories are low.

Congress wisely granted protection for domestic consumers from natural gas export volumes to non-free trade agreement (NFTA) countries, which could negatively impact the public interest under the NGA. About 80 percent of all U.S. LNG exports are shipped to NFTA countries. The NGA provisions protect the "public interest," even in the event of unforeseen circumstances. Below are excerpts from the Federal Register which describe the U.S. Department of Energy's (DOE) authority and responsibility under the NGA to protect the public interest.

The U.S. DOE has already approved 48 Bcf/d for export to NFTA countries equal to 51 percent of 2024 net supply and exports are expected to increase 92 percent by 2027.[1] The U.S. exports only 10 percent of its gasoline. For crude oil, we export 1,504,021 thousand barrels annually, while importing 2,411,293 thousand barrels, for a net import of 18.8 percent of production.[2]

> Federal Register on June 21, 2018
>
> The DOE is responsible for authorizing exports of domestically produced natural gas, including liquefied natural gas (LNG), to foreign nations pursuant to section 3 of the NGA. Under section 3(a) of the NGA, the DOE reviews applications to export natural gas to countries with which the United States has not entered into a free trade agreement (FTA)

[1] Summary of LNG Export Applications of the Lower 48 States, U.S. Department of Energy, https://www.energy.gov/fecm/articles/summary-lng-export-applications-lower-48-states

[2] Petroleum & Other Liquids, U.S. Energy Information Administration (EIA), https://www.eia.gov/petroleum/

requiring national treatment for trade in natural gas and with which trade is not prohibited by U.S. law or policy (NFTA countries). NGA section 3(a) states that the DOE "shall issue such order upon application, unless, after opportunity for hearing, it finds that the proposed exportation or importation will not be consistent with the public interest."

Additionally, under section 16 of the NGA, the DOE is authorized to "prescribe, issue, make, amend, and rescind such [export] orders…as it may find necessary or appropriate…" to satisfy its statutory responsibilities. The DOE has maintained, however, that [in the event of any unforeseen developments of such significant consequences as to put the public interest at risk, the DOE is fully authorized as necessary to protect the public interest.]

LNG exports have four characteristics that justify action by DOE to act now to insulate U.S. consumers from LNG export impacts. As export volumes grow, price and reliability risks increase for U.S. consumers and directly impact manufacturing competitiveness.

1. How much natural gas is in inventory is the number one determinant of price. When inventory is high, prices are low and vice versa (see Figure 4). Energy Information Administration (EIA) data proves that LNG export volumes are highest during our winter peak heating season months of November through March, which accelerates a reduction in U.S. inventory, increasing the prices of natural gas and electricity and reduces reliability. Shipments increase because most of the countries that purchase LNG have winter when we do. The severity of the problem increases as export capacity increases (see Figures 5-9).
2. LNG customers are countries who will pay any price to keep the lights on in their country. They are insensitive to price. No matter how high U.S. prices go, they will buy away our natural gas, even when inventories fall and prices rise. In contrast, manufacturers are very price sensitive.
3. LNG contracts of 5, 10, 15 and 20 years shift supply and price risk from LNG buying countries to U.S. consumers and the economy. The contracts guarantee that other counties will get natural gas even when inventories are low and falling. Most manufacturers can only do 3-year contracts due to the uncertainty of their production from a given facility.
4. LNG exports risk U.S. prices becoming linked to international LNG prices, which directly impacts U.S. manufacturing competitiveness. This is what happened in Australia (see Figure 10).

Examples how LNG exports negatively impact domestic prices.

During the winter of 2021-2022, U.S. inventories decreased because of cold weather (Storm Uri) and lower production, and still, LNG exports were maximized, which accelerated the reduction of inventory, resulting in much higher prices. The monthly average Henry Hub natural gas price increased from $2.00/MMBtu to $8.40/MMBtu, a 300 percent increase and electricity prices increased by 30 percent. (Figure 4).

This winter (2024-2025) the EIA reports that we started with inventories that were 6 percent above the five-year level and as of March 7, 2025 inventories are 12 percent below the five-year level, a precipitous drop of 18 percent. On March 27, 2025, inventories are 24.2 percent below the previous year. Henry Hub prices increased from $1.50/MMBtu to $4.27/MMBtu, up 285 percent. Manufacturers saw spot natural gas prices as high as $120/MMBtu. Despite falling inventories, DOE/EIA report that, for example, during the week of February 24, 2025, LNG exports reached new record levels of 16.8 Bcf/day, marking the eight consecutive day of LNG demand surpassing 16 Bcf/day (see links to news stories below).

Manufacturing companies are the first to be curtailed at great costs.

When there is inadequate supply for any reason, pipeline companies issued either operational flow orders (OFOs) or curtailment notices to manufacturers across the country to reduce demand in order to service the needs of homeowners, power companies, and LNG exports. Curtailment can cost tens of millions of dollars per day per facility, disrupt operations, damage equipment, and impact supply chains for consumer, industrial, and national defense products.

Establish an "America First LNG Inventory Policy" to insulate the U.S. market from the negative impacts of LNG exports when inventories are low.

As stated above, there is a direct relationship between inventory levels and prices. When inventories are low, prices rise and vice versa. EIA releases its inventory report every Thursday. It is transparent market data that all consumers and producers rely upon.

For purposes of protecting the public interest when inventories are low, the DOE should condition LNG export orders for shipments to NFTA countries in a manner that gives the DOE the option to require LNG exporters to reduce the rate of exports if U.S. natural gas inventories are low and prices are increasing. For example, DOE could require export volume to be reduced by 5 percent. Once inventory levels increase to levels that do not impact reliability and price, the DOE can allow the export rate to resume at market demand.

Whether or not the DOE requires some level of reduction would be dependent upon the inventory level with a forward view for the following month, which will be informed by weather forecasts, natural gas production levels, and other factors that impact inventory levels.

For example, if inventory levels fall a DOE assessment that anticipates warmer weather for the following month could preclude action by the DOE to require export reductions.

The policy can be implemented without impacting LNG contracted volumes.

Industry sources estimate that export terminals have about 80 percent of their export capacity under long-term contract and the balance is spot business. It is unfathomable that DOE would need to reduce export volume by 20 percent. Therefore, DOE's action to require reductions would not impact contracted volumes.

Establishing this policy will result in LNG export terminals taking near-term action to reduce any impact associated with the policy and will build this scenario into their business model and operating procedures. For example, exporters may consider investing in private storage facilities. In fact, that is what many large chemical companies do on the Gulf coast, securing a private inventory of either natural gas or NGLs. Export facilities are accustomed to wide swings in export volumes due to a host of business conditions and maintenance shutdowns.

LNG Supply to U.S. Allies.

For national security purposes, if U.S. inventories fall, and U.S. allies need more LNG, the DOE can decide to not require the LNG exporters to reduce volumes. However, the fact is that the DOE cannot direct shipments to our allies anyway. Once a ship is in the open water, it can change ownership and destinations many times.

No cost to taxpayers.

Implementation of the policy would not cost taxpayers.

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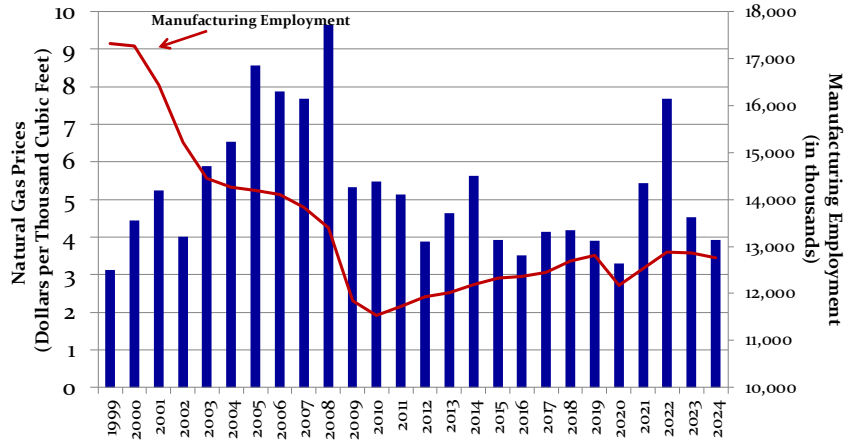
FIGURE 1

"A Direct Relationship Between Natural Gas Costs and Manufacturing Jobs"

Natural Gas Delivered Prices Increased 209% from 1999 to 2008, or 23% a year



Source: EIA (delivered natural gas prices), Bureau of Labor Statistics

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FIGURE 2

Energy Price Sensitive Industries are Essential for Economic Growth

Building Block Industries	Convert to	Commercial & Consumer Products
▪ Chemicals	→	▪ Food Production
▪ Plastics	→	▪ Automobiles
▪ Fertilizer	→	▪ Consumer goods
▪ Glass / ceramics	→	▪ Construction
▪ Steel	→	▪ Medical Supplies
▪ Aluminum	→	▪ Energy Production
▪ Pulp and Paper	→	▪ Appliances
▪ Cement	→	▪ Household products
▪ Food Processing	→	▪ Defense industries
	→	▪ Telecommunication

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FIGURE 3

DOE Approved LNG Exports Equal to 51% of 2024 US Supply

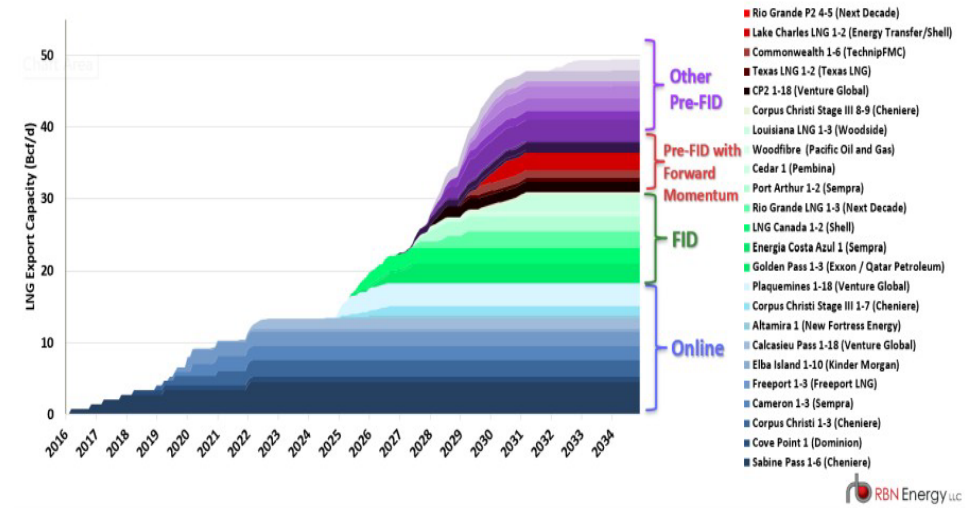

FIGURE 4

Real Example: Low Inventories Result in High Prices - Winter of 2021/2022 -

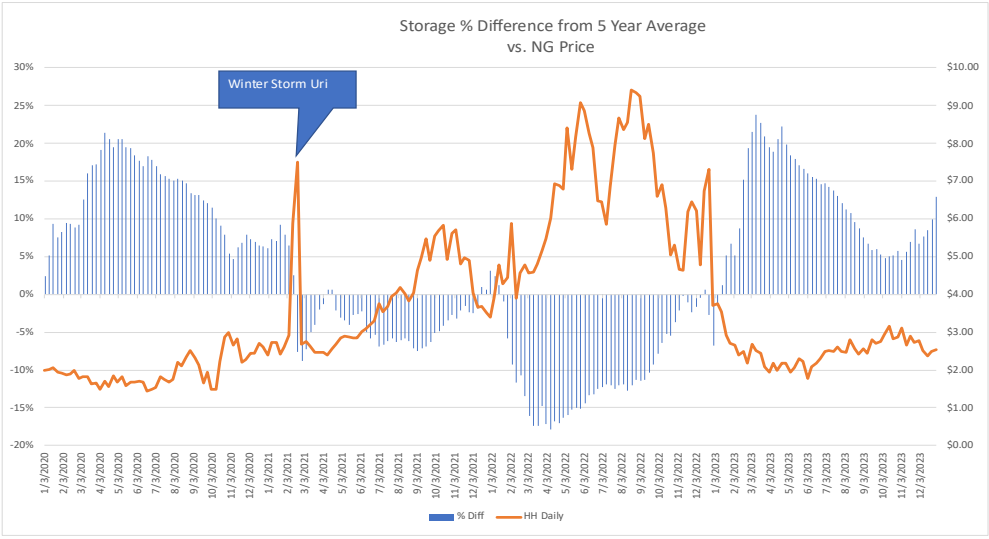

FIGURE 5

Seasonality Plays a Far Bigger Role in Natural Gas than Oil Products (EIA)

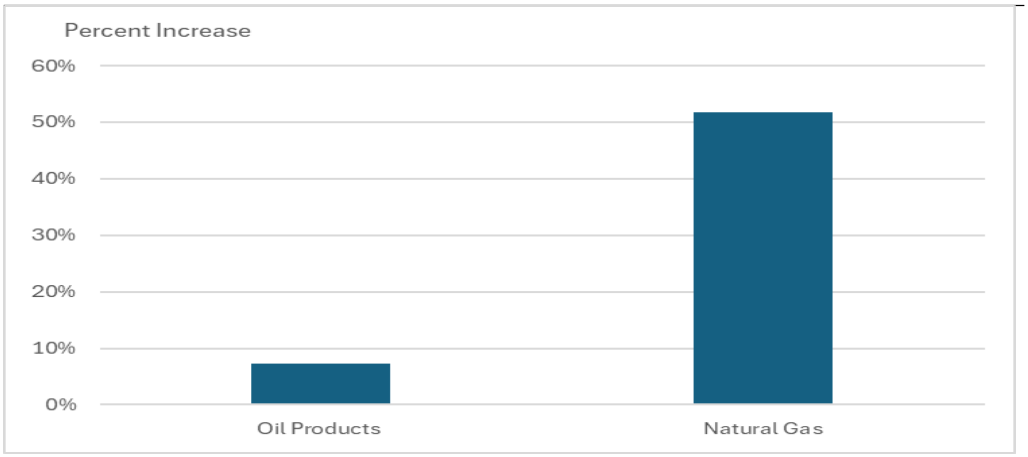

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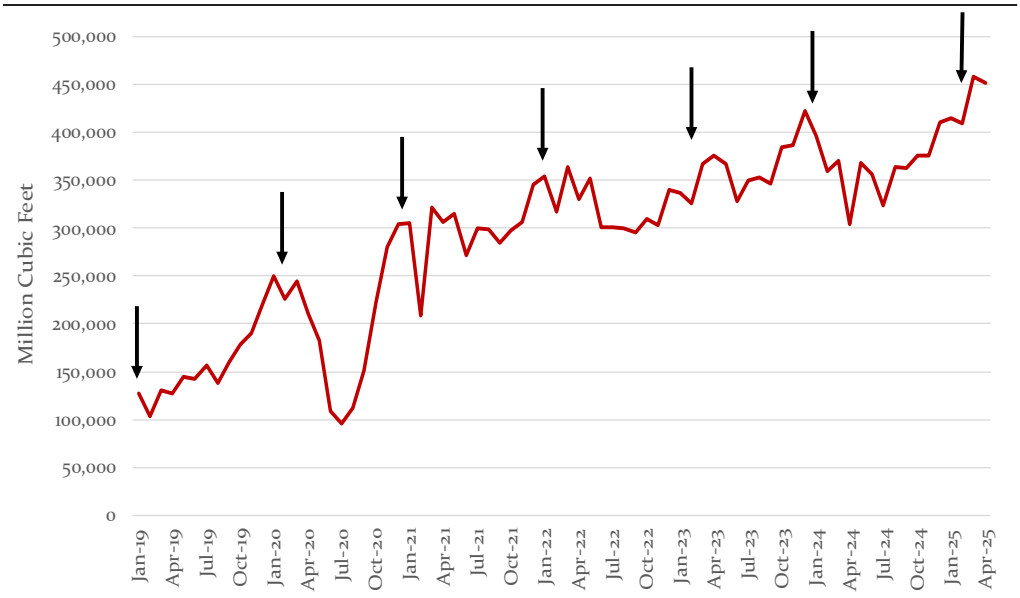
FIGURE 6

LNG Exports are Highest During Winter Months Which Increases Natural Gas and Electricity Prices



Source: U.S. Energy Information Administration (EIA)

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FIGURE 7

Already-Approved LNG Exports Lift Peak Winter Demand 34% Above Current Records

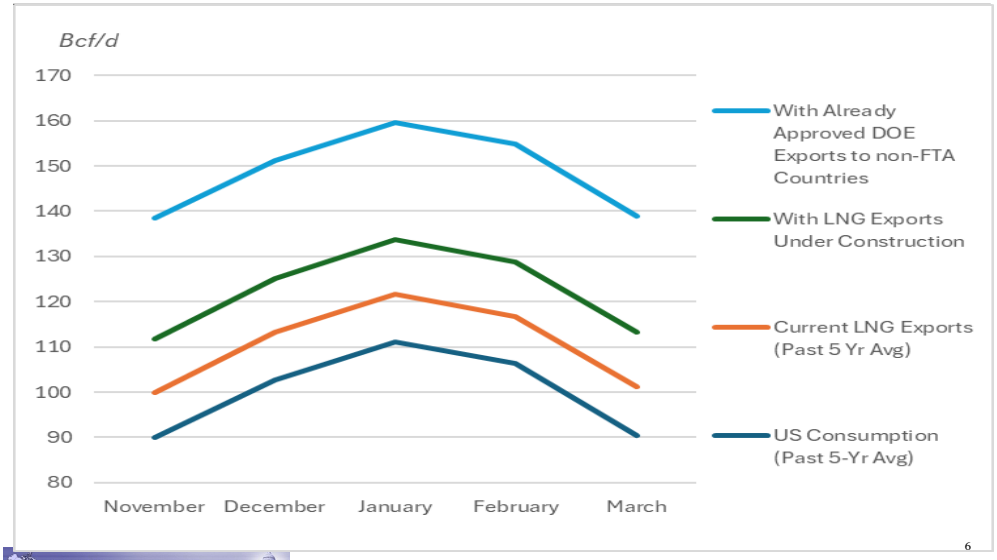

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FIGURE 8

Largest Single-Week EIA Storage Withdrawals in History Are Since LNG Exports Began (EIA)

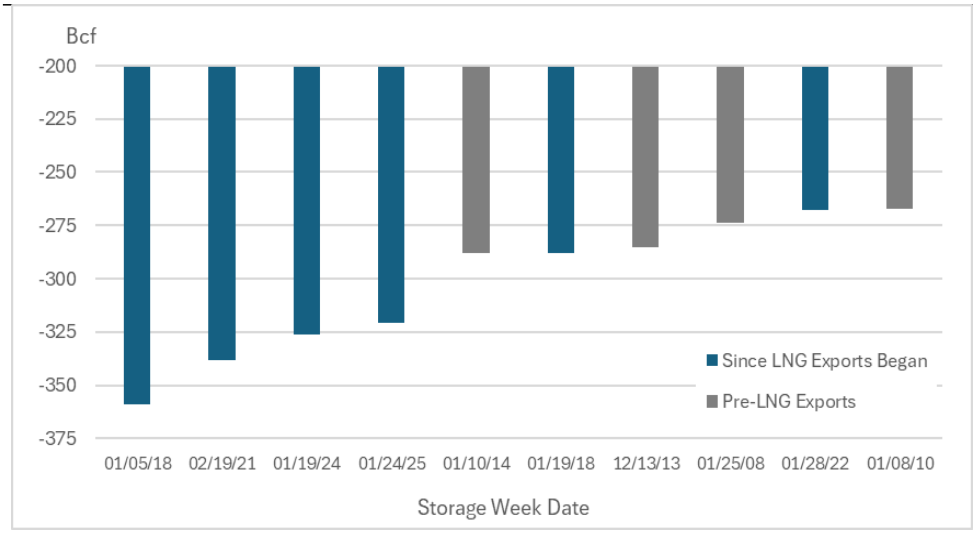

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FIGURE 9

Already-Approved LNG Exports Dwarf Storage Inventories to Destabilize Market (EIA/DOE)

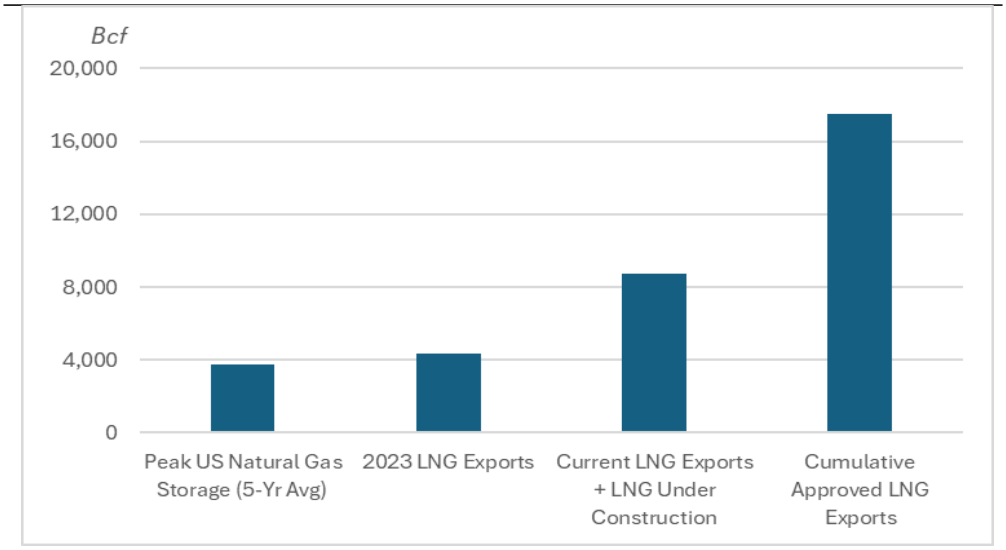

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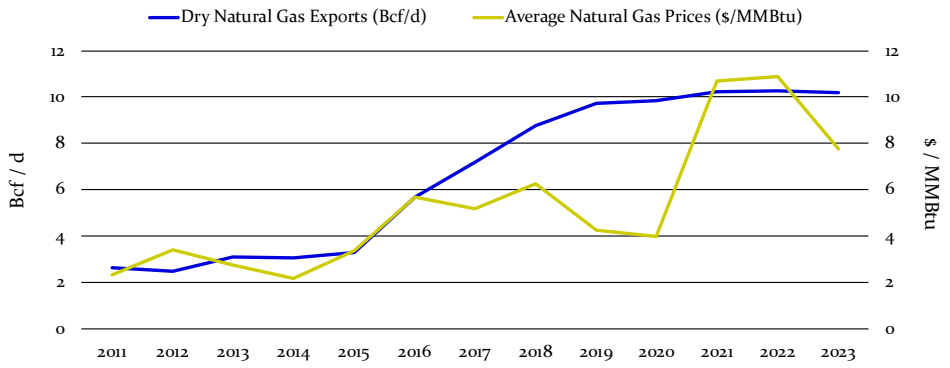
FIGURE 10

As Australian Natural Gas Exports Increased, Domestic Prices Increased



Source: International Energy Data, U.S. Energy Information Administration (EIA) and Gas Market Prices, Australian Energy Regu lator

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