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The Honorable Steven Chu
Secretary
United States Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Chu:

As a former governor of Pennsylvania, I was a first-hand witness to the tremendous benefits the "shale gas revolution" has brought to the Commonwealth's economy and to the nation's energy situation. It is imperative that our nation take sensible steps to foster continued development of this rich energy resource. These steps should include provisions for sales of liquefied natural gas (LNG) to other countries. Such limited exports would promote continued exploration and production, limit the "boom or bust" cycles that have marked natural gas development over the years, and also provide a new source of capital for the energy infrastructure our nation so desperately needs.

Therefore, I wish to support the findings of the recent NERA Economic Consulting report on the economic implications of LNG exporting. Importantly, in its "Key Findings" section, the report states that, across all scenarios examined, "the U.S. was projected to gain net economic benefits from allowing LNG exports." The report further added that "U.S. economic welfare consistently increases as the volume of natural gas exports increased." Under the various scenarios examined by NERA, overseas sales of LNG could increase the gross domestic product (GDP) by as much as $47 billion by the beginning of the next decade.

As you may know, I have long been an advocate of America gaining greater energy independence, and the advances in production of natural gas have gone a long way toward making our nation's energy situation more reliable and secure and less dependent on foreign states that are often hostile to our interests. During my tenure as Governor, I oversaw the rapid expansion of our shall has industry. In 2007, we permeated 70 shell gas wells and by 2010 the number had risen to 3,300. I would never support LNG exporting if I thought such sales would jeopardize our energy independence. I think the findings of the NERA report and other studies should put such fears to rest.

To begin with, the NERA report established that overseas sales, even at very high levels, would have only a limited impact on the domestic price of natural gas. This is illustrated in the report's Figure 6, found on page 11. In five of the evaluated scenarios, exports would raise the domestic wellhead price by 28 cents or less. In three more, exports would raise the domestic wellhead price by 83 cents or less. Further, as the report states, "In no case does the U.S. wellhead price increase by more than $1.09/Mcf due to market-determined levels of exports." Such price behavior is not a hallmark of scarcity.

Additionally, the U.S. Energy Information Administration, a respected agency within your department, in December forecast that annual domestic supplies of natural gas would increase by 1 trillion cubic feet by the middle of the next decade, rising from 6.8 trillion cubic feet in 2011 to 7.8 trillion cubic feet in 2025. Such production increases far outstrip any projected levels of exporting and provide solid evidence that gas will remain abundant and affordable domestically, even with overseas shipments.

Finally, a June 2012 report authored by Michael Levi for Brookings' Hamilton Project, found that natural gas supplies would remain ample, even at high levels of exporting. The report indicated that even high levels of natural gas exporting would not significantly deplete U.S. reserves. Citing another EIA study issued in 2012, Levi's report found that "were the United States to export LNG at the highest rates discussed in this paper, it would produce as much natural gas in nineteen years as it otherwise would have in twenty." Levi's report concluded that the fear of resource depletion due to exporting "is not a large problem."

I believe another finding of the report is especially important: overseas sales of LNG would improve our nation's balance of trade "and result in a wealth transfer into the U.S." A significant source of new revenue from overseas would be an important step forward in dealing with our longstanding trade deficit issue. Additionally, the NERA study found that LNG exports could provide a new source for capital investment in our energy system, with foreign sources supporting construction of new facilities such as liquefaction plants. Our nation's progress toward greater energy security is highly dependent on strengthening our infrastructure, and we should welcome the additional capital for these projects that LNG exports could provide.

Thank you for your leadership on this issue. The NERA report, in my opinion, provides a sound basis for your department's approval of the LNG export applications now pending before it.

Sincerely,

Ed Rendell

Edward G. Rendell