



Powering Manufacturing.
Fueling Jobs.
Igniting Growth.

April 2, 2014

The Honorable Michael Froman
United States Trade Representative
600 17th Street NW
Washington, D.C. 20508

Dear Ambassador Froman:

America's Energy Advantage (AEA) is a trade association representing many of the world's leading manufacturers and commodity producers, as well as publicly-owned natural gas distribution companies. Our organization is a strong supporter of rules-based free trade but we are very concerned that allowing unlimited export of liquefied natural gas (LNG) to nations that have yet to sign free trade agreements with the U.S. will undermine your efforts to open closed markets to all American goods and services. We appreciate your leadership in advancing America's pro-trade agenda, and urge you to stand firm against those who would give preferential access to this vital strategic commodity to our overseas competitors while getting nothing in return.

As you are aware, American LNG is one of the most significant points of leverage you and your team of trade negotiators have to open closed markets, improve our balance of trade and remove tariffs and barriers to all U.S. products. The current Trans-Pacific Partnership (TPP) negotiations are an on-point example, as Japan has historically been one of the most closed markets to U.S. goods and services. The most recent statistics on U.S.-Japan trade bring that into stark focus:

- The U.S. goods trade deficit with Japan was \$76.3 billion in 2012, up \$13.1 billion from 2011
- The Japanese economy continues to be virtually closed to agricultural imports, maintaining massive tariffs on a variety of U.S. exports:
 - 777.7 percent on rice
 - 252 percent on wheat
 - 360 percent on butter
 - 328 percent on sugar
 - 38.5 percent on beef
- A variety of nontariff barriers continue to impede access to Japan's automotive market

Japan is also the world's largest importer of LNG. The Japanese government and private market participants are eager to sign long-term contracts to import American natural gas. The TPP negotiations

present a unique opportunity to create a high standard agreement that will serve as a benchmark for business in the Asia Pacific – provided that Japan commits to opening its market. As you and your team actively negotiate with the Japanese, LNG exports are a powerful incentive to ensure that they dismantle the protectionist barriers of the past in favor of an open market future.

The TransAtlantic Trade and Investment Partnership (TTIP) negotiations are another good example of how American natural gas can boost global free trade. We agree with President Obama's comments on his recent visit to Europe that an U.S.-European Union (EU) free trade agreement is necessary in order to streamline LNG exports to the EU. This commonsense approach – that trade agreements should precede LNG exports – is the correct course as we seek market access for all American goods and services overseas.

Increased exports of all American products – not just natural gas – opens markets, grows the economy and raises living standards for all Americans. Our natural gas energy advantage presents a once-in-a-generation opportunity to increase free trade across the world. Policymakers should make sure that the United States has every tool at its disposal when negotiating access to closed economies.

To be sure, exporting LNG under any circumstances will still carry a certain cost to our economy and to consumers. Exporting large volumes of this strategic commodity will raise domestic natural gas and electricity prices for every American, undermine manufacturing competitiveness and cost the nation good-paying jobs. Equally troubling is the fact that the recent legislation introduced in the House of Representatives would prevent the Department of Energy from mitigating or even reviewing the impacts of unlimited LNG exports on domestic prices, consumers, electricity markets, manufacturers or the economy.

We appreciate your efforts to educate those who argue that U.S. LNG exports would weaken Putin and help our Ukrainian allies. While we agree that the crisis in Ukraine is a very serious situation, and appreciate government efforts to pass legislation to provide American aid to Ukraine in its time of need, U.S. LNG exports to Ukraine are a false hope.

No LNG export facilities currently exist in the continental United States. LNG exports will not begin in earnest until 2018, as these billion-dollar projects need to be built or retrofitted. There is nothing preventing Ukraine from signing a contract to import LNG from one of the six facilities that have already been approved if it is willing to pay market rates, which in Asia are as much as 50 percent higher than in eastern or central Europe. There is no barrier or impediment other than the fact they are simply not economically viable.

A much better option for weakening Putin is to export American hydraulic fracturing and horizontal drilling technology to our Ukrainian allies so they can develop their own domestic shale gas resources.

Ukraine has more than 40 trillion cubic feet of technically recoverable natural gas. Such resources could come online years before the first LNG tanker ship leaves an American port.

America's newfound abundance of natural gas is powering a remarkable manufacturing renaissance, which to date has generated more than \$100 billion of announced investment in over 120 different manufacturing projects. Our natural gas advantage is directly responsible for the ten consecutive months of growth in the manufacturing sector. America's natural gas advantage is so significant that U.S. companies are beginning to "reshore" foreign operations back in the United States. A wide range of foreign companies are locating manufacturing operations – and the jobs that accompany them – on our shores.

This resurgence in manufacturing dwarfs the benefits of exports alone. A recent study by Charles River Associates found that increased manufacturing output from domestic natural gas creates twice the direct value to the economy and eight times as many jobs as gas exports alone. This manufacturing renaissance could lead to 5 million additional American jobs, lowering our unemployment rate by as much as two or three percentage points.

In conclusion, we appreciate your leadership in opening overseas markets for American goods and services, while standing in opposition to efforts that would undermine your negotiating position by giving away American natural gas to non-FTA nations while you are in the middle of sensitive trade talks. We would welcome the opportunity to discuss this issue further with you and your team. Thank you for your consideration of our views.

Sincerely yours,

America's Energy Advantage

Cc: Ernest Moniz, Secretary, Department of Energy
Melanie Kenderdine, Director for Energy Policy & Systems Analysis, Department of Energy
Jonathan Levy, Deputy Chief of Staff, Department of Energy
Dan Utech, Deputy Assistant to the President for Energy and Climate Change
Steve Ricchetti, Counselor to the Vice President
Jeffrey Zients, Director, National Economic Council