UNITED STEELWORKERS
USW
UNITY AND STRENGTH FOR WORKERS

Leo W. Gerard
International President

April 28, 2014

VIA FAX

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

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

Dear Chairman Upton and Ranking Member Waxman:

I write on behalf of the 850,000 members of the United Steelworkers (USW) to express our union's opposition to H.R. 6, the "Domestic Prosperity and Global Freedom Act." The dramatic increase of liquid natural gas (LNG) exports envisioned by this bill is unwise and would be harmful to American interests. Consumers will see their energy prices rise, employers – particularly in the manufacturing sector – would lose the energy cost advantage which is driving the growth of this sector, and most importantly, jobs would be lost. In a time of persistently high unemployment, these jobs must not be sacrificed in order to transfer vast wealth to the gas extraction sector. I urge you to oppose this short-sighted and harmful bill.

The rapid development of shale gas resources in the United States over the past several years has prompted a major reduction in U.S. imports of natural gas, and as our domestic resources are developed the U.S. may achieve self-sufficiency in its natural gas supply. As a result of this development, U.S. manufacturers enjoy an energy price advantage compared to producers elsewhere in the world, which is driving increased production and job growth. This must not be squandered.

In issues of industrial policy such as this, there will be winners and losers. If LNG exports are expanded, the winners will be owners of natural gas resources and the losers will be American consumers and the manufacturing sector (particularly the energy-intensive manufacturing sector and its workers). All analyses of this issue stipulate this dichotomy. The argument of proponents is that the transfers of wealth across sectors will result in a small overall gain in Gross Domestic Product (GDP).

Whether or not there is a small overall GDP gain or a small overall GDP decrease is somewhat beside the point, as it is the cross-sector shift of wealth that is important. It is incumbent upon policymakers to make a choice in deciding whether to expand natural gas exports, between promoting and retaining manufacturing in America, or promoting and growing fossil energy corporate profits at the cost of jobs and harm to consumers, whose labor income will decrease and whose energy costs will increase with increased natural gas exports.

H.R. 6 would not only make that choice in favor of corporate profits and against workers and consumers, but it would strip away many of the protections currently in place to ensure that what natural gas exports will be allowed are not unduly harmful to the public interest. First, it would broaden the list of nations to which the Department of Energy (DOE) must allow LNG exports from those 18 nations with whom the U.S. has a Free Trade Agreement (FTA) to all 159 members of the World Trade Organization, including China. Second, it would require DOE to immediately grant 24 LNG export applications currently pending, in addition to the seven already approved.

The previously-approved LNG export facilities will export a combined 9.3 billion cubic feet per day to non-FTA countries. Immediately granting the remaining 24 applications would almost quadruple that to a total of 36 billion cubic feet per day. A level of exports that high is likely to have huge negative impacts on employment and consumers, and has not even been examined in what studies have been conducted on this issue. For example, the study by NERA Economic Consulting commissioned by DOE modeled several scenarios, and in several of these the variable was the total amount of LNG exported. For these, the “low level” of exports was six billion cubic feet per day (less than is currently authorized) and the “high level” was 12 billion cubic feet per day. H.R. 6 would authorize an amount of exports three times higher than even the highest level studied.

The energy renaissance that has been projected as a result of new found energy reserves in the U.S. is still in its infancy. Before the facts are fully known, this legislation would dedicate significant portions of our gas production to export, much of it subject to long-term contracts, thereby depriving U.S. individual and industrial consumers of adequate supplies should the high expectations not be realized. Alternatively, meeting all demand might result in shortcuts being taken – environmental and otherwise -- which could have very serious repercussions. Too many want to give away our resources before they are proven.

Further, it is unclear what benefit, if any, will accrue to anyone other than owners of natural gas resources if LNG exports are expanded at all, let alone to the level called for by H.R. 6. Even the proponents of increasing exports have had to resort to an unrealistically tenuous formulation to argue that a very small overall gain will be realized by Americans. This formulation assumes that all corporate profits flow perfectly through to shareholders (raising the value of investments such as 401(k) plans), and a high level of royalty payments and tax revenues paid by the gas extraction industry, and that these payments will be used to finance a tax cut for working families, and that all this will outweigh the fact that families’ paychecks are lower and their heating and electricity costs are higher.

These assumptions are simply not credible, and fly in the face of the experience of the past several decades as income inequality has increased throughout the economy. Households are having trouble making ends meet as it is, and most do not have the amount of investments to actually share in the benefits of these hypothetical gains. What they do have are heating and electricity costs, which will go up as their income goes down.

For these and many other reasons – not least of which being that it would require DOE to allow the offshoring of American manufacturers' competitive advantage to countries such as China – H.R. 6 is an irresponsible bill that would harm workers, consumers, and American manufacturing. I urge you to oppose it.

Our union looks forward to working with you to expand and promote America's energy independence and manufacturing sector, and we hope to be constructive partners in moving these goals forward responsibly and in a way that creates and maintains jobs. This bill is not a responsible way to accomplish this, and will cost jobs.

Sincerely,

Leo W. Gerard

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International President

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