Testimony of Gary L. Sypolt
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Congressional Natural Gas Caucus
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Good morning. My name is Gary Sypolt, and I am the CEO of Dominion Energy, the natural gas subsidiary of Dominion Resources.

Thank you for the opportunity to present our views to the caucus today. I'd like to briefly review the economic opportunities presented by selling U.S. natural gas in overseas markets. We believe these opportunities will offer significant benefits, not only to the states and regions where natural gas is produced and processed, but also to the entire country, without unduly burdening consumers.

We also believe that prime evidence for the benefits from this access to foreign markets can be found at our Cove Point LNG facility in Calvert County, Maryland. Our forecasts indicate that the modification of Cove Point -- within the existing plant footprint -- to include export capabilities would produce more than 4,000 jobs in the state of Maryland during the construction phase.

And the benefits of the Cove Point project go far beyond the construction phase, according to an economic impact study performed for us by ICF International.

- The additional exploration and production needed to supply natural gas to Cove Point would produce about 14,600 jobs once the facility begins overseas shipments.

- The project would produce a significant source of wealth for mineral owners in gas-producing areas, with an estimated $9.8 billion in royalty payments over 25 years.

- While the project will generate jobs and revenues, it will not have an adverse effect on the domestic use of natural gas, and only a minimal effect on delivered natural gas prices.

- And the Cove Point modification would generate billions of dollars in new revenue for federal, state and local governments. Our consultant estimated these royalty and tax payments would average just under a billion dollars per year once the export facility is up and running.

All of these findings lead to one conclusion: The Cove Point project would provide a major boost for the state and regional economies amid continuing slow growth and weak job creation. We believe this would be replicated in other parts of the country, with the development of other terminals for overseas shipment, and with it the creation of thousands of additional jobs and much-needed sources of revenue for government at all levels.

Before discussing these benefits in more detail, let me first say that natural gas is abundant in the United States and can meet the needs of all markets. Reserves nearly doubled from 1200 trillion cubic feet to 2200 trillion cubic feet over a ten year period. EIA states that our country has nearly 100 years of natural gas reserves. Our producer community will continue to develop better and better technology and discover more and more natural gas reserves. Our country benefits from the export of other commodities such as corn, wheat, soybeans and coal. Allowing our domestic producers to compete in the global market as well would play an important role in sustaining the economic benefits that gas-producing states have enjoyed from the Shale Gas Revolution.

You are all familiar with the boom and bust cycle of domestic natural gas production. High prices lead to significant investments in exploration and production. These investments lead to an overabundance of supply, which depresses prices. Eventually, prices reach the point where it is uneconomic to explore for natural gas, drilling activity drops, supplies begin to tighten, and the cycle starts all over again.

The technological breakthroughs that enabled the Shale Gas Revolution have made this boom-bust cycle more pronounced. We have the capability to tap immense reserves of natural gas, more than a century's worth according to recent projections with the potential for even more.

The immense success producers have experienced from the shale formations has caused supply to greatly outpace demand, resulting in natural gas prices being driven down to the lowest our country has seen in a decade. This makes it increasingly uneconomic to drill and produce at today's low prices. In fact, much of the drilling activity today is focused on higher-valued hydrocarbons such as propane and butane.

The U.S. Energy Information Administration's most recent Short-Term Energy Outlook provides further evidence that the low prices are taking their toll. While the EIA still forecasts some growth in total production during 2012, the number of operating rigs has fallen dramatically. During the last week in June, the domestic natural gas rig count was at its lowest level since 1999. In fact, from mid-October 2011 to early July 2012, the rig count dropped by more than 40 percent, from 936 to 542.

This is why the opportunity to access foreign markets is important for both producers and consumers. Letting our producers access a share of the global market can help smooth out this boom-bust cycle. That results in sustainably low natural gas prices for heating our homes, powering our manufacturing, and supplying a growing share of our nation's electricity. We can have this stability while retaining a significant cost advantage over many other nations, all the while maintaining and growing the domestic supply of natural gas that is both reliable and affordable for US consumers.

In effect, limited export will act as a safety valve, providing an economically viable market for shale gas even when domestic prices are very low.

This market stability is critical to natural gas producing states. You all know how difficult the last decade was for many of our states in the traditional industrial heartland. We saw it in many of the states where Dominion does business, from West Virginia to Pennsylvania, eastern Ohio, and upstate New York.

The Shale Gas Revolution helped turn around the economy in many communities across this region. It has created well-paying jobs with good benefits, to say nothing of the substantial sources of cash for landowners in the region. A recent study by IHS, a respected energy consultant, found that production from shale and other unconventional gas formations supported more than one million jobs in 2010. The same IHS study estimates that this production could support more than 1.4 million jobs by 2015 and 2.4 million jobs by 2035.

All of these economic gains are threatened by unsustainably low domestic natural gas prices and the absence of overseas markets. Overall, the U.S. economy has long suffered from an equally overbearing and burdening trade deficit, with our financial resources flowing overseas -- most notably to purchase oil. We have a chance to help reverse that in some part by selling a limited amount of natural gas in overseas markets such as Japan and Europe.

A global race to serve these customers is already underway. While our country debates the export of natural gas, other countries, such as Australia and Canada are rushing to develop the infrastructure needed for exports.

So I found a recent press release from the Export-Import Bank of the United States highly ironic. The Ex-Im Bank has authorized a loan of almost $3 billion to support development of an LNG export project -- in Queensland, Australia.

The press release went on to note that the loan would create 11,000 new jobs in this country, since much of the equipment and materials needed for the plant would be American-made.

But how many more thousands of jobs would have been produced had the plant been built and operated right here in the United States? How much government revenue would have been produced had the facility been built here at home? How much money would have been paid to owners of domestic mineral rights, rather than mineral rights owners in Australia?

I call this a lost opportunity.

American energy companies, including Dominion, have the capital and the will to provide this infrastructure here at home. This will result in hundreds of thousands of jobs in the natural gas industry, to say nothing of the thousands of well-paying construction jobs that will be created in communities like Calvert County.

Moreover, the U.S. Trade Representative estimates that every $1 billion in new exports of American goods produces 6,000 jobs here at home. Most estimates indicate natural gas exports will eventually be in the range of $13 billion to $25 billion annually. Using the Trade Representative's math, that means limited overseas sales of LNG could result in 75,000 to 150,000 additional jobs here in the United States.

If we fail to act now, this opportunity will be lost forever and the jobs and other economic benefits will go elsewhere.

In summary, this is what we see will come from limited shipments of natural gas to overseas partners:

- The creation of many, many thousands of good-paying jobs, both during the construction of new terminals and their ongoing operations.

- A reduction in the trade imbalance.

- Other economic benefits, including new sources of revenue for government at all levels and new wealth for the owners of mineral rights.

- And sustainable energy prices over the long-term.

I would call it a story worth telling.

Thank you again for the opportunity to present Dominion's views on this matter of critical importance for the energy industry, and I would be happy to answer any questions.