Advancing the Clean Energy Future

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June 2nd, 2015

Testimony in Support of H. 2494

Dear Chairmen Kaufman, Rodrigues, and Members of the Committee:

Acadia Center is a non-profit, research and advocacy organization committed to advancing the clean energy future.

H. 2494

Acadia Center supports H. 2494 (An Act Relative to Consumer Protection With Regard to Pipeline Tariffs)as a sensible precaution against the real risk that publicly-funding gas pipeline capacity could produce greater benefits for gas producers, transporters, and exporters than it would for Massachusetts ratepayers.

Calls for expanding natural gas pipeline capacity are often supported by arguments that larger pipes could help mitigate periodic price premiums paid by New England consumers, but the potential premium to be earned from shipping gas to international markets must be considered a potential motivator. According to the latest available data from the Energy Information Administration, LNG on the global market sold for more than two and a half times as much as domestic natural gas in March of this year.[1]

With surpluses of low-cost of natural gas being produced in the Marcellus deposits to the south of New England, there is a real chance that the natural gas traveling through the new, publicly-funded pipelines would go primarily to exports, particularly during the majority of the year when pipelines are underutilized. This risk increases directly with the size of proposed pipeline capacity expansion, and the two leading proposals on the table are very large, both in terms of capacity and cost. Kinder Morgan's Northeast Energy Direct project would carry up to 2.2 billion cubic feet per day (bcf) at an estimated development cost of $5 billion.[2] The rival Access Northeast project, backed by pipeline developer Spectra Energy and utilities National Grid and Eversource, would transport an additional 1bcf, at an estimated cost of $3 billion.[3] In combination, these two projects could amount to $8 billion in expenditures, and expand pipeline capacity into the region by 78%.

Adding this much natural gas capacity presents the risk that New Englanders will end up picking up the tab for infrastructure largely used to transport gas through New England to export markets. Part of the Access Northeast proposal involves reversing the Maritimes and Northeast Pipeline[4] to allow gas to flow north through New England to Eastern Canada, and onto waiting LNG tankers. By latest count there are 3 proposed LNG export terminals in Eastern Canada that intend to export natural gas from the reversed Maritimes and Northeast Pipeline:

[1] See: http://www.eia.gov/dnav/ng/ng_pri_sum_dcu_nus_m.htm
[2] See: http://www.masslive.com/news/boston/index.ssf/2014/12/kinder_morgan_plans_rerouted_5.html
[3] See: http://www.courant.com/business/hc-nu-spectra-natural-gas-pipeline-20140916-story.html
[4] Id.

- Converting the existing Canaport import terminal in St. John, New Brunswick into an export terminal.[5]
- Goldboro LNG in Nova Scotia, which recently received approval from the US Department of Energy receive and ship US exports.[6]
- Bear Head in Nova Scotia, which filed in November 2014, seeking[7] to export LNG via a terminal in Point Tupper.

In addition to potentially subsidizing projects that should be financed by the private sector, public funding for pipeline capacity could lead to increased prices. A 2014 study by the EIA projected that a significant and rapid increase in LNG exports (reaching 20bcf of exports over 10 years) combined with low gas production could cause natural gas prices in the Northeast to increase by 45%.[8]

Ensuring the applicability of H2494 to the current policy context may require slight modification to prohibit rate increases for transporting natural gas to export terminals. Specifically, the Department of Public Utilities recently initiated an investigation (DPU 15-37) to determine whether existing law allows electric utilities to contract for natural gas pipeline capacity and recover costs from electric customers. If this approach moves forward, funding for natural gas could be rolled into basic service rates, without requiring a specific tariff, tax or fee.

To address both of these issues, we recommend that the applicable language be broadened to additionally prohibit recovery of costs within electric rates for pipeline projects that connect to, or transport gas to export facilities.

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[5] See: http://www.lngindustry.com/liquefaction/16022015/Repsol-subsidiary-files-LNG-export-application-257/
[6] See: http://interfaxenergy.com/gasdaily/article/16242/goldboro-lng-gets-permission-to-use-us-gas-for-export
[7] See: https://docs.neb-one.gc.ca/ll-eng/llisapi.dll?func=ll&objId=2545847&objAction=browse
[8] See: http://www.eia.gov/analysis/requests/fe/pdf/lng.pdf