



Statement of Judy Hawley, Chair, Port Commission for the Port of Corpus Christi Authority
For Hearing of Trade Subcommittee of the House Ways and Means Committee on
The Trade Implications of U.S. Energy Policy and the Export of Liquefied Natural Gas (LNG)

Chairman Nunes, Ranking Member Rangel, and Members of the Subcommittee:

Thank you for the honor of appearing before the subcommittee as part of this distinguished panel on such an important topic.

My name is Judy Hawley. I am testifying before this subcommittee in my capacity as Chair of the Port Commission for the Port of Corpus Christi Authority. I am also pleased to have served for eight years in the Texas legislature, including service as Vice Chair of both the Transportation and the Energy Resources Committees. I have also served as Chair of the Corpus Christi Regional Economic Development Corporation.

The Port of Corpus Christi is the 5th largest port in the United States in total tonnage. In addition, 86% of the Port's tonnage comes from energy.

One thing I have learned during my ten years of serving as a Port Commissioner is that this role provides a unique insight on economic development issues. As a public entity, our role is to serve the public good by serving as an engine that drives responsible economic development and by serving as a trustworthy steward for the Corpus Christi Ship Channel and assets of the Port.

The Port Commission serves as a nexus between the local communities that we serve and the many stakeholders in the Port's operations. These stakeholders include:

- businesses located on or near the Port's property;
- customers whose operations depend upon trade conducted through the Port;
- national and international shippers who utilize the Port's capabilities;
- area institutions of higher education that provide skilled workers essential for economic growth; and,
- local, state, and federal government agencies that work with us to build and maintain needed infrastructure while also protecting the environment.

Our responsibilities require constant consultation with the community and stakeholders while also demanding careful planning for activities many years in the future.

As a result, the Port Commission can provide both

- a bird's eye view of the local economic impact of federal energy policy, and
- a broader picture of how federal energy policy can affect national and international interests.

Locally, it is hard to overstate the economic benefits resulting from expanded domestic energy exploration and development, primarily through the ongoing development of the Eagle Ford Shale formation in Texas. This formation is the source of abundant oil and natural gas resources able to be extracted using modern energy development technologies. In a few short years Eagle Ford Shale has become the largest single oil and natural gas development in the world based upon capital expenditures.

Just last month the Center for Community and Business Research at The University of Texas at San Antonio's Institute for Economic Development issued an updated report (hereafter, the "UTSA Report") on the economic impact of Eagle Ford Shale.¹ It studied a 20-county area that was comprised of 14 counties where production is occurring and 6 related counties.

Among the findings in the UTSA Report are that economic development resulting from Eagle Ford Shale is responsible for:

- Over \$61 billion in total economic impact
- 116,508 full-time jobs supported
- \$4.69 billion in payroll
- \$1.01 billion in total local tax revenues
- \$1.24 billion in estimated local tax revenues

While all of these statistics are great news, we are especially pleased about the large number of new jobs created and supported in the South Texas region. These well-paying jobs occur across a number of sectors, not just energy and transportation, but also benefiting workers in related supporting occupations.

As a result, unemployment in the Corpus Christi is consistently well-below the national average, despite an influx of new workers pursuing employment opportunities. According to the Bureau of Labor Statistics, our unemployment rate in the Corpus Christi Metropolitan Area was 6.6% in January of 2013 and has declined to 5.5% in January of 2014.

¹ The full report and the appendix to that report can be accessed online at:

<http://ccbr.iedtexas.org/efs-economic-impact-2013>

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Further, the jobs and economic growth that we have already experienced may just be the tip of the iceberg. Continued growth is expected for the foreseeable future. The UTSA Report projects that Eagle Ford Shale will generate an economic impact of over \$89 billion in 2022 (up from \$61+ billion in 2013) and over 127,000 jobs in 2022 (up from 116,000+ in 2013).

In addition, we are witnessing the early stages of related industrial developments that will have increasingly strong economic development impacts. I would like to describe one particular project to illustrate the vast economic and job growth that can result from supporting expanded exports of liquefied natural gas [LNG].

Cheniere Energy plans to build an LNG liquefaction facility on a 673-acre tract of Port industrial property at the newly-expanded La Quinta Ship Channel to support LNG exports. This project alone represents a roughly \$11 billion investment.² Based upon a similar facility being built in Sabine Pass, Louisiana, we are anticipating an average of 1,800 construction jobs over a five year building period, with 3,000 jobs at the peak of construction. I would like each member of the subcommittee to take a moment to imagine how a project resulting in 3,000 construction jobs could boost a community.

Once the facility is built, it will provide the foundation for thousands of stable and high-paying jobs beyond the estimated 225 positions required to operate the facility. These jobs involve business activities related to the LNG business and jobs in managing the energy-producing properties and related infrastructure needed to produce the natural gas that would be liquefied and exported. It is estimated the Corpus Christi Cheniere facility will support over 8,000 permanent jobs per year.

The ability to add and support thousands of jobs during an era of chronic underemployment is an economic godsend to countless workers and their families. In addition, while much of the capital investment resulting from natural development involves pipelines and other specialized energy infrastructure, some capital improvements benefit our regional transportation infrastructure, which in turn can lead to other job-creating economic development. Also, the tax revenues generated from development and export of natural gas can support other education and economic development initiatives that can lead to increases in high-quality new jobs.

This one liquefaction facility will benefit not just South Texas, but also the national economy. Again, based upon a similar project under construction, the Corpus Christi facility will require over \$2 billion in equipment from U.S. sources. It is projected to have a positive impact upon our nation's balance of trade of up to \$9.5 billion annually.

² Economic data on this facility comes from a report prepared by The Perryman Group, "The Anticipated Impact of Cheniere's Proposed Corpus Christi Liquefaction Facility on Business Activity in Corpus Christi Texas and the US" (April 2012).

While these economic benefits for the nation are important, there are also other benefits for Members of Congress to consider. The export of LNG is critical for building stronger ties with allies abroad, freeing countries from economic oppression through threats to their natural gas supplies, and supporting the use of safer and more environmentally-sound natural gas over other energy sources.

The Port has regularly discussed the desirability of stable and affordable natural gas as an energy source with entities from nations across the globe. In fact, the Port is the beneficiary of over \$11 billion dollars of investment from large international companies locating industrial plants on Port property. These investments include:

- \$700 million by voestalpine iron plant which will create 150 full time jobs in the region
- \$751 million by M&G Resin which will create 220 full time jobs in the region
- \$1 billion by TPCO America which will create 600-800 full time jobs in the region

We welcome and encourage these types of investment that are made possible by the abundant supply of energy products resulting from development of the Eagle Ford Shale formation. Yet most of the strong and growing demand for LNG in places such as Europe and Asia is for consumer uses and smaller business and transportation uses that will not be transferred abroad.

Current economic development benefits and job growth are a great success story. It is a serendipitous circumstance that the Eagle Ford Shale discovery happened to occur in the period leading up to expansion of the Panama Canal. This expansion will allow larger ships, including LNG tankers, to travel through the Canal.

The Port of Corpus Christi, like other ports, has been planning for the Panama Canal expansion for the past twenty years, although our original plans were based upon need for facilities to handle tankers for importing rather than exporting LNG. In the last decade, the Port of Corpus Christi has invested \$25 million – leveraged with the federal government’s investment of \$58 million through the Corps of Engineers – to deepen and extend the ship channel to accommodate LNG exports. As mentioned previously, this investment has attracted over \$11 billion in new industrial growth, creating over a thousand high-paying jobs for a previously disadvantaged area.

The private sector also has responded swiftly to take advantage of opportunities related to the new and abundant sources of natural gas and other energy-related products in Texas and elsewhere around the country. In other words, our nation’s infrastructure is in relatively good shape to move forward with increased production and export to meet the growing worldwide demand for LNG.

At this point, the biggest constraint to taking advantage of this new opportunity for job growth and other economic benefits is federal energy policy. Sustaining this energy-related economic growth is contingent upon the federal government adopting policies to:

- increase the number of countries to which LNG may be exported, and
- act expeditiously on permits for LNG production and export facilities.

Such policy changes will provide a stable underpinning for domestic and foreign investments that will lead to the creation of tens of thousands of both construction and permanent jobs, dramatic growth in exports, and billions of dollars in additional annual revenue for the U.S.

On the other hand, the huge opportunity for increased worldwide sales of LNG is hardly a secret. If the United States fails to take advantage of this opportunity, international natural gas suppliers will focus their efforts on increasing production at other worldwide sites in places such as Canada, East Africa, and Australia. Once the large infrastructure costs are undertaken to expand LNG production at those sites and long-term supply contracts are executed, the window of opportunity for the U.S. to reap the associated economic and job growth will be closed.

I would like to take a brief moment to discuss the myth that increasing LNG exports will somehow damage U.S. economic interests. This matter has been studied and concerns have been found to be erroneous.³ Increased LNG export would have numerous economic benefits for Texas and the United States, yet are unlikely to have any significant impact upon domestic natural gas prices. In fact, attempts to restrict LNG exports and artificially depress natural gas prices could limit ongoing exploration and development, causing more damage than benefit.

In closing, I would like to mention that the Port of Corpus Christi is one of the U.S.'s 17 strategic national defense ports. We regularly take actions to facilitate U.S. national interests over the Port's narrow economics interest in terms of maintaining capacity reserved for U.S. defense needs and giving priority to shipping of military cargo over other more lucrative business opportunities.

The Port of Corpus Christi takes its responsibilities to serve this country's national security and economic security very seriously. While we are candid about the large economic benefits resulting from expanded growth of the energy sector, we also believe that federal policies supporting international energy trade benefit both South Texas and the nation. It is in the spirit of supporting our highest national interests that I have offered this testimony.

Thank you for this opportunity to testify before the Subcommittee.

³ See, e.g., NERA Economic Consulting's "Macroeconomic Impacts of LNG Exports from the United States" (Dec. 2012) and Deloitte Market Point's "Made in America: The Economic Impact of LNG Exports from the United States" (2011).