



**Federal Energy Regulatory Commission  
February 15, 2007  
Open Commission Meeting  
Statement of  
Chairman Joseph T. Kelliher**

**Item C-6 & C-7: Gulf LNG Energy, LLC (CP06-12-000 *et al.*) & Bayou Casotte Energy LLC (CP05-420-000)**

"I called these orders for discussion so that the staff could brief the Commission on the status of applications for authorization for liquefied natural gas (LNG) import facilities.

The North American natural gas market is changing, and changing fundamentally. The plain fact is that North American gas supply is no longer adequate to meet North American gas demand. That is true even assuming the eventual construction of an Alaskan natural gas pipeline. Our gas market is no longer a U.S. gas market, and increasingly is no longer a North American market. Instead, we are becoming part of a broader international gas market. There are implications to that development, some of which we can appreciate.

There is significant concern about the adequacy of natural gas supply, overall price levels, and price volatility. In the context of the internationalization of our gas markets, we can take action to assure adequate supply and reduce price volatility. We can increase gas supply through expanding LNG import capacity. We can increase gas storage capacity, which serves as a physical hedge. We can assure greater price transparency. We can police the markets, enforcing the anti-manipulation rule. The Commission has a good record in all of these areas.

However, it is important to recognize the relationship between infrastructure and supply and between infrastructure and price. Infrastructure is the ability to produce energy supply and move it to where it is most needed. If energy infrastructure is inadequate, the predictable result is higher prices and greater price volatility.

Of course, that does not mean all proposed energy infrastructure projects must be approved. It does suggest, however, that uniform opposition to energy infrastructure proposals may come at a cost, in the form of higher energy prices and greater volatility. "