

Natural Gas: Wrong Policy Choices Can Un-Fulfill its Potential (at the expense of consumers and climate policy)

The 110th Congress is taking steps that could lead to serious supply and price consequences for natural gas consumers -- at the very time demand for this premium fuel will accelerate due to climate change concerns and other environmental policies.

American Exploration & Production Council members that account for 40% of US gas production, leading the way in finding and producing secure natural gas supplies for America *and investing more than their profits every year in the process*, urge opposition to a range of proposals that, if enacted, would cause near-term supply reduction, higher consumer prices and potential long-term supply shortages.

Consider:

- The North American natural gas market is the most efficient in the world, providing natural gas to the widest range of customers, from plastics and other manufacturing to fertilizer production, electricity generation, and home heating and cooking.
- North American natural gas resources are abundant, equivalent to almost 100 years of current use.
- The Energy Policy Act of 2005 improved federal lands agency processes and funding, including funds for wildlife protection and inspection as well as increased enforcement personnel. With these advancements we have seen record drilling activity in the United States, an increase in proven gas reserves, and the beginning signs of improvement in onshore production which, coupled with mild weather, has led to less volatile prices. **The Energy Policy Act is benefiting America's natural gas consumers.**
- In addition, Congress acted late last year to open more of the Gulf of Mexico to exploration and production, sending a good signal to the gas markets that more supply can be provided safely from off our coasts as well.

But:

- In the face of rapidly declining production from existing wells, and declining imports from Canada, much of the most promising US natural gas resource base (nearly 85% of the Lower '48 offshore area) remains under moratoria unlike anywhere else in the world.
- Some in Congress have proposed tax changes, including elimination of **normal** business expensing of well drilling costs that would cause company drilling budgets to be reduced below the level needed to stay ahead of normal production declines, exacerbating price and supply volatility.
- Pending House Natural Resources Committee-approved legislation expected to be part of a broad energy package this summer would roll back the improvements in the Energy Policy Act, decrease energy agency funding, add new fees and other costs (to companies already paying billions of dollars to the Treasury in bonuses, rents and production royalties), un-do reforms aimed at improving environmental review processes, and do away with streamlined permitting processes and deadlines.

The effect of any such actions – at a time natural gas demand will be rising to meet climate change challenges – will be less production and higher, more volatile prices. This is bad for consumers, and for exploration and production companies trying to plan energy investments.

Natural gas holds great potential as part of the energy solution our nation needs. Wrong policies will ensure that the potential is not fulfilled. Wrong policies will take years to overcome and everyone will lose.