



Memo

Date: August 1, 2007

To: All Members of the House of Representatives

Subject: Energy Bill's Politics Over Good Natural Gas Policy Will Reduce Production -- and Increase Consumer Prices

When the House of Representatives takes up comprehensive energy and energy tax legislation in the coming days, natural gas consumers will be in jeopardy.

Homeowners, seniors, farmers and employees of fertilizer producers, plastics and chemical makers, and other manufacturers who rely on this cleanest of fossil fuels and important feedstock may see policies adopted that will lead to declining production and higher prices.

House Natural Resources Committee provisions would reverse a range of energy permitting reforms put in place less than two years ago by the bi-partisan Energy Policy Act of 2005 (EPAct 05) – reforms that are beginning to produce results in the form of increased natural gas supply. In addition, several new restrictions on permitting are proposed that have never been in law. The bill contains restrictions on leasing in one of the most promising areas in the west, and in the Gulf of Mexico. Higher taxes in the legislation would further reduce energy investment.

Those who explore for, and produce, natural gas in the United States – and invest more than their earnings every year in the process -- are frankly baffled as to why policymakers would consider such a reckless course of action. It might be different if environmental concerns were being ignored, cultural or archeological issues weren't being addressed, or if the fate of endangered species were not being taken into account, but that's not the case. Consider:

- North America has very significant un-tapped natural gas resources, many of them under federal government lands.
- Unfortunately production from new natural gas wells has been declining faster and faster over recent years meaning that we have to increase the rate of drilling to maintain supplies.
- Demand for natural gas continues to grow, with prices having gone up three to four times what they were in 2002. Demand will grow more with any foreseeable climate change policy.
- The good news is that industry has continued to expand the drilling effort and we are beginning to make headway. Natural gas production actually increased by about 1.5% in 2006, even after normalizing for impacts of hurricanes Rita and Katrina. EPAct 05 was part of the reason.
- New advanced technology is making real differences, in production and environmental compatibility.

Ending EPAct 05 reforms, increasing energy project permitting times, restricting production, increasing energy company taxes, fees and other costs, slowing domestic natural gas production and driving up prices for all consumers in the name of energy independence is not rational policy.

The energy and energy tax bills should be opposed.