

**American Gas Association**

**Energy and Environment Priorities**

**December 4, 2008**

**Natural Gas: The Responsible Energy Choice**

The American Gas Association (AGA), founded in 1918, represents the natural gas utility industry, whose members deliver natural gas to nearly 70 million residential, commercial and industrial customers throughout the United States. Today natural gas meets almost one-fourth of the United States' energy needs. In addition, it is domestically abundant — 98 percent of our supply is produced in North America — and it is by far the cleanest burning fossil fuel, which explains why it is now the fuel of choice in electricity generation.

Given that the Obama administration has clearly identified the economy, energy and climate change as its top legislative priorities, AGA believes that natural gas can, and should, play a key role in successfully achieving them. As one example, today residential and commercial natural gas customers are among the few sectors that have actually *reduced* greenhouse gas emissions*.* Total CO2 emissions from these customers *have declined more than 11 percent since 2000, and natural gas usage per household also has decreased, even as demand for energy has risen. Today individual households use 31 percent less natural gas than they did in 1980.* Clearly, natural gas is part of the solution to our many energy and environmental challenges.

With that as background, AGA recommends a number of steps that will ensure natural gas is optimally used to achieve the Obama administration’s environmental and economic goals:

1. **Develop policies that ensure more natural gas is used directly in America’s homes and businesses.** Directly using natural gas for heating homes, for hot water heating and cooking is far more efficient and environmentally friendly than using natural gas to generate electricity for the same home heating or cooking applications. It also saves consumers money. That is because during the electricity generation process — meaning its journey from the power plant to the electric outlet — electricity loses an average of 70 percent of its useable energy. This means electric heating appliances, even supposedly highly efficient ones, actually waste large amounts of energy. By contrast, from the wellhead to the burner tip, natural gas loses only about 10 percent of its useable energy, making its direct use more efficient, cost-effective and carbon friendly than electricity.
2. **Increase access to domestic supplies of natural gas.** Because natural gas is the cleanest-burning fossil fuel, in America’s increasingly carbon-constrained environment, it has become *the* fuel of choice for electricity generation. This puts upward pressure on prices, especially in the residential and commercial market, which could result in those customers switching to a less environmentally friendly fuel option — thereby undermining the environmental goals of generating electricity with gas. The solution is to increase access to new supplies of domestic natural gas offshore — including more of the Outer Continental Shelf — and in the Intermountain West. Because of advanced new technologies, including 3-D and even 4-D seismic image technologies, the exploration and production of natural gas *can be done in an environmentally sensitive manner*. More domestically produced, clean-burning natural gas is good for the environment, the economy and America’s energy security.
3. **Measure the energy efficiency of end-use appliances and products by using a full-cycle, “total energy efficiency” measurement (often referred to as “well to wheels” measurement in the transportation sector).** As noted, measuring the efficiency of natural gas and electricity from the “source” — where gas is extracted and electricity is generated — to the “site” — meaning the electric outlet and gas burner tip — clearly favors natural gas. However, in its energy efficiency labeling the federal government usually measures the relative efficiency of natural gas and electric appliances *only at the end-use*. This encourages consumers to purchase end-use electric appliances that are less energy efficient overall than their natural gas counterparts, which results in increased greenhouse gas emissions and decreased energy efficiency.
4. **Extend or make permanent the current dividend tax rate.** To meet the growing demand for natural gas, utilities will need to raise 100 billion dollars over the next 20 years to invest in new pipeline infrastructure, as well as maintain the current delivery system. The lower dividend tax rate allows utilities to attract more capital for that purpose, and at lower costs. In addition, millions of Americans, especially senior citizens, own utility shares because they know they can rely on utilities for a safe, reliable dividend check that affords them a steady income — all the more so during a time of increased economic insecurity,
5. **Fund energy infrastructure/natural gas pipeline repair and replacement projects.** Much like America’s roads and bridges, many segments of America’s energy infrastructure are old and in need of repairs or replacement.  Some parts of the natural gas systems in older cities are more than 100 years old.  Gas utilities have replacement programs underway, but the growing demand for natural gas exceeds the replacement process.  In addition to the jobs that a more aggressive replacement program would provide in the inner cities, the replacement of these older segments with new pipes made of state-of-the-art materials would reduce greenhouse gas emissions.

**Conclusion**

For nearly a century natural gas has played a key role in making America a prosperous and secure nation, and it is now poised to play an even more important role in meeting the challenge of global climate change. Clean burning, abundant natural gas is a big part of the *solution* to climate change — it is not part of the problem — and we look forward to working with the Obama administration to make full use of natural gas’ ability to grow our economy, enhance America’s energy security and leave to future generations a cleaner, healthier and stronger country — and planet.