

United States Senate

WASHINGTON, DC 20510

September 23, 2009

The Honorable Barbara Boxer
Chairman
Senate Committee on Environment
and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Boxer:

As the Senate moves to debate climate and energy legislation, Congress must focus on the long-term needs of our economy and the emission reductions needed for a stable climate. A strong bill will have the potential to create millions of clean energy jobs and reduce our nation's damaging dependence on foreign oil. We write today to advocate for policies which will ensure any climate and energy bill take optimal advantage of America's abundance of clean burning natural gas to dramatically lower CO₂ emissions in both the near and long term.

Our nation is in desperate need of a comprehensive energy policy and natural gas can serve as a vital bridge fuel as we transition to the new energy economy. America's vast domestic natural gas reserves are becoming important economic drivers in areas that are in need of economic revitalization and these reserves could provide more than a 100-year supply at current levels of consumption. Furthermore, natural gas is the cleanest of the fossil fuels and burns with approximately half the CO₂ emissions of coal and roughly 30% fewer emissions than oil. Any Senate energy and climate bill should provide statutory guidance to harness this important resource and stimulate and support even more activity in this sector of our nation's diverse energy portfolio.

Progress in promoting natural gas is being made in the Senate Energy and Natural Resources Committee's bill, S. 1462, which was reported with language that enhanced financing terms for an Alaska natural gas pipeline. Outlined herein are a number of additional suggestions that we hope will be part of the Environment and Public Works bill and the Senate's ultimate energy and climate legislation.

Appropriate Expansion of Natural Gas Usage: The bill should be improved by expanding the utilization of America's vast natural gas reserves which, in turn, would greatly reduce carbon emissions in the near-term. Among the conceptual ideas we would hope to see included in the bill: appropriate incentives to take more advantage of natural gas in the electric power sector and appropriate incentives to expand the market for natural gas as an alternative fuel for heavy duty and fleet vehicles. Inclusion of these critical incentives should be pursued in a manner that does

not interfere with current existing uses of natural gas, such as feedstocks in the chemical and manufacturing industries. Recent domestic supply increases make these goals achievable.

Appropriate Treatment of Natural Gas Pipelines and Fugitive Emissions: Under The American Clean Energy and Security Act (ACES), fugitive emissions of uncombusted natural gas, both from production and leakage from pipelines, would be subject to performance standards under Section 811. We would propose to instead consider fugitive emissions under the list of potential offsets outlined in Section 733 as a more efficient incentive. Fugitive emissions, when captured, have significant greenhouse gas reduction benefits and should be considered by EPA to be eligible as offsets. Additionally, given that rate case determinations for natural gas transportation systems can take several years, while the price of carbon allowances will likely fluctuate more frequently; we support accommodations for price-controlled entities to track their prices with allowances to ensure real-time consumer responses.

Appropriate CCS incentives for Natural Gas: ACES includes significant incentives to further research into Carbon Capture and Sequestration (CCS) technology for coal-fired power plants. Natural gas-fired power plants should also be eligible for incentives as well, in a way that does not diminish those incentives for coal.

Consumer Disclosure of Emissions of Electricity: ACES contains a provision that would include CO₂ emissions on the familiar “EnergyGuide” labels that accompany appliances. We support a similar full fuel cycle CO₂ disclosure requirement for electricity supplied by utilities covered by the new combined efficiency and renewable electricity standard (RES) under Title I, Section 101. The disclosure requirement could be met through ratepayer bill inserts.

Include Natural Gas in the National Academy Review of ACES: Section 706 of ACES should be improved to require the National Academy reports, also authorized in the bill, to expressly address the potential for mitigating climate risk through the expanded use of natural gas in the U.S. electric power sector.

Preserving Vital Tax Incentives: Recent tax proposals contemplate repealing a number of tax credits that are crucial to natural gas producers. In particular, we strongly support preserving the deductions for Intangible Drilling Costs (IDC), as well as the percentage depletion credit. Repealing these tax credits could have severe and unintended consequences on the small independent producers of natural gas. Proper tax treatment for the natural gas industry should be a priority as multiple Senate Committees continue to craft climate and energy legislation.

Responsible Development of Natural Gas Resources: Extraction of our nation's natural gas resources should be conducted in a way that respects water, wildlife, our cherished public lands, and the local communities and private landowners affected by the development. For example, to allow Congress to make informed decisions regarding regulation of extraction of natural gas, the bill should include approval of an EPA study to review the risks that hydraulic fracturing poses to drinking water supplies, using the best available science, as well as independent sources of information. Also, we support improved coordination between the federal government, industry and other stakeholders to address and mitigate any water and air impacts associated with drilling.

We wish to thank you for your diligent work in crafting Senate energy and climate legislation. We feel adoption of the above proposals to utilize clean-burning natural gas would be a critical driver towards a low-carbon economy. Incorporating an aggressive natural gas strategy can contribute to a balanced bill that can garner the support of stakeholders across the board.

Thank you for your consideration.

Mark F. B. A.

Mark Udall

Mark Begich

Mary Gandy

Sam Brownback

Joe Manchin

Allen Bunn

Tom Udall

Daniel Vitter

CC: James Inhofe, Ranking Member, Senate Committee on Environment and Public Works

CC: Jeff Bingaman, Chairman, Senate Committee on Energy and Natural Resources

CC: Max Baucus, Chairman, Senate Committee on Finance; Charles Grassley, Ranking Member, Senate Committee on Finance

CC: John Kerry, Chairman, Senate Committee on Foreign Relations; Richard Lugar, Ranking Member, Senate Committee on Foreign Relations

CC: Blanche Lincoln, Chairman, Senate Committee on Agriculture; Saxby Chambliss, Ranking Member, Senate Committee on Agriculture

CC: Jay Rockefeller, Chairman, Senate Committee on Commerce, Science and Transportation; Kay Bailey Hutchison, Ranking Member, Senate Committee on Commerce, Science and Transportation