

Natural gas ... a need for action

The recently completed National Petroleum Council (NPC) study on North American natural gas describes a fundamental shift in the natural gas supply/demand balance that has resulted in higher prices. As important, it provides specific recommendations to achieve a better energy balance, with significant potential benefits for consumers, the environment and the economy.

In making its recommendations, the NPC identifies possible scenarios for natural gas — the **“Reactive Path”** with significant policy conflicts and market tightness — or the **“Balanced Future”** in which policy initiatives eliminate critical barriers for suppliers and consumers. The NPC emphasizes that each scenario represents an improvement on the status quo, that **“choices must be made immediately ... [and] ... the best solution ... requires actions on multiple fronts.”**

To achieve the economic and environmental advantages of the “Balanced Future,” a fundamental need is to **“increase supply diversity.”** Accordingly, the NPC’s recommendations target three major supply sources of interest to investors. To increase supplies from the lower-48 states and the outer continental shelf, policies need to increase access to these areas for exploration and reduce permitting impediments to development. To enable Alaskan gas supplies to reach the lower-48 market within a decade, federal and state legislation is needed to expedite approvals and provide regulatory certainty for this major project. And to

expand imported supplies of liquefied natural gas (LNG), accelerated and coordinated regulatory reviews of import facilities are critical.

A second fundamental requirement is to **“sustain and enhance natural gas infrastructure.”** For potential investors, operators and customers, regulations that govern new infrastructure such as pipelines, storage tanks and LNG import terminals need to provide clarity

and certainty. Major investments can help mitigate imbalances, but action is needed to ensure projects complete final permit reviews within a year or less from permit application.

A third fundamental need is to **“improve demand flexibility and efficiency.”** Free markets remain vital to encourage energy conservation and efficiency. Accordingly, the NPC recommends changing the implementation of federal and state regulations to permit greater fuel choice for industrial consumers and power generators. In addition, sound public policies in the areas of consumer education, low-income weatherization programs, and energy efficiency product standards can also contribute to conservation efforts.

While the nation’s energy balance is a long-term challenge, a central theme of the NPC’s recommendations on natural gas is that action *now* is important to promote investments in needed supplies. Delay in reforms will worsen the outlook. We agree, and encourage rapid adoption of NPC’s proposals to help the nation fully capture the economic and environmental benefits of this vital energy source.

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made immediately
on multiple fronts**

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