

Testimony of
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before the
House Subcommittee on Energy and Air Quality
on behalf of the
Natural Gas Supply Association

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I am Roberta Luxbacher, Vice President - Americas for ExxonMobil Gas Marketing Company

I am here today speaking as Chairperson, on behalf of the Natural Gas Supply Association, which represents major integrated and independent producers.

Mr. Chairman, the NGSA and all its members are looking forward to working with your Committee and we welcome this opportunity to present our views for developing a national energy policy.

As you know, Mr. Chairman, natural gas is one of our nation's most robust and important energy sources. Over a year ago, the National Petroleum Council estimated recoverable natural gas resources in the Lower-48 states at over 1,400 trillion cubic feet. At the current rate of domestic consumption this is equal to more than 60 years of gas supply.

Producers, of which there are over 8000 in the United States, are individually doing all they can to economically develop these resources to meet current and projected demand for natural gas.

- + The number of operating gas drilling rigs has more than doubled from April of 1999, when gas prices were at a five year low, to over 900 today.
- + Producers are actively exploring new frontiers such as Canada, Alaska North Slope, deepwater Gulf of Mexico and coal bed methane in our western states
- + and we are proactively developing and applying new technology.

However, our country's energy needs cannot be met by the producers actions alone.

A clear and comprehensive long-term approach to energy policy is needed. The energy policy decisions of today must avoid the miss-steps of the past, and serve the long-term strategic interests of the country. Our country's economic growth is tightly linked to having reliable and competitive sources of energy.

As we look at developing a national energy policy there are a number of areas of importance to the NGLS producers.

- C First, **access to natural resources** that underlie public lands.
- C Second, **a balanced regulatory framework** .
- C And third, **policies that encourage development of a diverse portfolio of energy supplies.**

Now turning to the first areaaccess to public lands.

The facts are well known:

- C An estimated 40 percent of undiscovered natural gas is located on land owned by federal and state governments.
- C Access to government land is restricted. Outside of the central and western Gulf of Mexico, producers are prohibited access to virtually all federal lands offshore. About 9 percent of resource-bearing land in the Rockies is completely off limits, and another 32 percent is subject to significant restrictions.
- C Worst of all, restrictions are increasing. The previous Administration's Executive Order to remove 60 million acres from potential development without any consideration given to possible future energy supplies is a flaw in the rule making process. This ruling further contributes to the loss of access to federal lands in eight western states which, for instance, declined 60 percent between 1983 and 2000.

The United States is the only major consuming nation that significantly prevents access to its own energy sources. Rather than excluding resource rich lands the focus should be on using advanced proven technology and operating practices to increase supplies in an environmentally responsible manner.

In addition to land access, a balanced regulatory framework is needed, which should be guided by certain core principles.

- Primacy of Markets: Supply and demand are best managed through free competitive markets and private sector initiative.
- Predictability: Governmental policies should create a predictable operating and investment environment for energy suppliers.
- Environmental Responsibility: Free-market-based incentives provide the best foundation for cost-effective environmental solutions.
- Efficiency: Government policies should encourage the efficient use of energy by insuring a level playing field for competing sources of energy.

For example policies that allow the government to prematurely withdraw lease permits and retain producer funds obviously undermine supply development.

On the other hand government policy that encourages market based development and use of new technologies to increase supplies, and use of energy more efficiently and cleanly would have a positive impact.

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Finally, The U.S. must have policies that encourage the development of all economic sources of supply on a level playing field. Economic energy, will in turn help sustain economic growth, create jobs and protect our national interest.

Exploration to expand supplies in currently available areas requires enormous investments with highly uncertain outcomes. At a minimum market based incentives for deepwater production and technology development should be considered as a part of national energy policy.

Lastly, we need support for the development of our frontier resources. For example, natural gas from Alaska has the potential to play a significant role in meeting our nation's energy demand. However, Alaska presents huge technical, and economic challenges. We need the support of the Federal Government, states, Canada, local communities and a host of other parties all working in concert to achieve success.

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In conclusion let me emphasize that we have major, untapped natural gas resources

here at home – resources we can access in ways that are economic and environmentally sound. To do this requires a balanced and economically sound energy policy.

As you and your Committee work to forge such a policy, Mr. Chairman, please be assured of the NGSA's strong support and commitment to work with you toward that end.

Thank you.