



April 5, 2005

Chairman Joseph Barton  
The House Committee on Energy and Commerce  
2125 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Barton:

The Natural Gas Supply Association (NGSA) appreciates your leadership and efforts to bring comprehensive energy legislation to fruition. With a tightening balance between natural gas supply and demand, and energy costs increasing across the board – putting additional financial strain on customers – there is a clear and urgent need for an updated energy policy. On behalf of the producer and marketer members of our association, we applaud your dedication to this critical legislative initiative.

Seeing a growing trend in market tightness, the Department of Energy commissioned a 2003 National Petroleum Council (NPC) study that examined the long-term outlook for natural gas. NGSA stands behind the recommendations of the NPC study.

Among the many policy recommendations included in the study was the immediate first step of adopting a balanced energy policy. NGSA believes a comprehensive energy bill would be a first step toward achieving this goal. It would also help synchronize federal policies and stimulate more efficient supply and demand responses to these tight market conditions.

First, a balanced, diverse fuel portfolio is absolutely critical to our nation's energy security. NGSA embraces all forms of natural gas supply, including expanding our portfolio to include additional liquefied natural gas (LNG) imports. In addition, NGSA advocates modifications that will allow for more offshore natural gas development – including offshore LNG facilities – and urges the government to remove permitting barriers for new LNG facilities, and clarify the siting jurisdiction of the Federal Energy Regulatory Commission (FERC). Along with the Center for LNG, NGSA supports your goal of a fair and balanced LNG regulatory process.

With further regard to supply, 85 percent of natural gas used in the U.S. comes from domestic wells. However, when wells naturally dry out, production, in

turn, declines. Because additional supplies can put downward pressure on price, NGSA encourages more domestic production by increasing access to non-park non-wilderness federal lands. According to the NPC study, access to these off-limit supplies could save consumers up to \$300 billion in natural gas costs during the next twenty years. Impediments to access of new supplies, and the cost burdens that ensue, will continue to fall on the shoulders of customers – unless the government opens up additional proven natural gas reserves.

Next, natural gas infrastructure must be sustained and enhanced to help the industry continue to improve reliability and to provide safe and efficient natural gas to customers. According to the NPC, sustaining capital will be an increasing share of total infrastructure investments in the coming years. In addition, NGSA supports expanded research to enhance safety and improve replacement techniques without causing large disruptions to customers. Research is also needed to enhance locating technologies for proven reserves, as well as advanced environmental remediation.

Finally, NGSA strongly supports competitive, efficient markets. Price fluctuations are a fundamental aspect of a free market, reflecting the variable nature of supply and demand. We urge regulators to support physical and risk management tools that allow market participants to moderate the effects of price changes. Additionally, to create more efficient markets, we support improved price transparency and greater liquidity. Based on the substantial progress the industry has made on these issues during the past two years, with guidance from FERC, we strongly advocate a voluntary price reporting system.

Because of its clean-burning attributes, demand for clean-burning natural gas is expected to continue to grow, despite aggressive conservation efforts. We believe that comprehensive energy legislation is a first step toward creating energy policy that would increase much-needed supply and reduce energy costs to consumers. Decisive action will be needed to get this balanced bill to the floor of both chambers and, ultimately, the president's desk. While NGSA cannot endorse all of the provisions of the draft measure before your committee, we once again appreciate your overall leadership on these critical issues.

Respectfully,



R. Skip Horvath, President and CEO, NGSA