



For Release: June 2, 2008  
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## **Study Finds Lieberman-Warner Legislation Will Drive Up Demand for Natural Gas**

(Washington, DC) A new study by the Natural Gas Council concludes that legislation to be debated in the U.S. Senate this week is likely to increase natural gas demand without addressing the need for increased supply.

David Parker, president and CEO of the American Gas Association, was one of several council members to respond to the study's findings. "We take global climate change seriously and believe that natural gas will be a key part of any effective climate change initiative," Parker said. "Our analysis suggests that achieving the carbon reductions required under S. 3036 requires a mix of technologies and energy sources. Our study also found that demand for natural gas could increase by more than 30 percent by 2030."

The study also noted that "offsets" in the legislation would allow a regulated source, such as a power plant, to meet some of its compliance obligations by reducing an equal amount of carbon emissions from sources that have not been capped.

"The importance of offsets really jumped out at us," said council member Skip Horvath, president and CEO of the Natural Gas Supply Association speaking of the study's results. "Congress needs to carefully think through the role of domestic and international offsets because this mechanism significantly affects the United States' ability to achieve the legislation's carbon reduction targets. The global market for offsets is going to be competitive as foreign nations move to meet their own carbon reductions."

Under S. 3036, the Lieberman-Warner Climate Security Act, a company could meet up to 15 percent of its compliance obligations with specified domestic offsets, while another 15 percent could come from Europe and other parts of the world.

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In addition to driving up demand for natural gas, the study found that the legislation would increase electricity production from nuclear power plants, wind and solar power-units. The bill also includes incentives to carbon sequestration technology, now under research and development, which would remove carbon from emissions and sequester it underground.

“Given the uncertainties surrounding new energy technologies and implementation of the cap and trade program, we suggest that Congress incorporate a strong natural gas supply and infrastructure portfolio that will allow us to achieve the goals of a climate-change bill,” said council member Don Santa, president of the Interstate Natural Gas Association of America.

The Natural Gas Council’s study echoes previous studies by the federal government and other groups — studies that also indicate the demand for, and cost of, natural gas could increase substantially if the legislation becomes law.

“What concerns us is that while some studies show natural gas use going up, perhaps dramatically under S. 3036, other studies found that the same legislation would cause the supply of natural gas to decline. That’s a collision course for consumers,” said council member Barry Russell, president and CEO of the Independent Petroleum Association of America. “If Congress does not hamper existing production and allows more exploration, our industry could ensure a more robust supply of natural gas which would reduce price pressure. That supply increase would provide an economic relief valve if there are problems with sequestration or offsets.”

The analysis was conducted by Science Applications International Corporation (SAIC) using the National Energy Model System (referred to as NEMS-NGC version). NEMS-NGC used alternative input assumptions provided by the Council.

The Natural Gas Council includes the American Gas Association, the Independent Petroleum Association of America, the Interstate Natural Gas Association of America, and the Natural Gas Supply Association.

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