

RECOMMENDATIONS ON CLIMATE LEGISLATION

Natural Gas Supply Association

The Natural Gas Supply Association (NGSA) proposes that any climate legislation adhere to the following guiding principles:

- **LEVELS** the playing field so natural gas is not disadvantaged
- **PROVIDES** market-based solutions
- **ENCOURAGES** behaviors that lower greenhouse gas emissions

To ensure that any current and future climate legislation includes provisions that recognize the critical role natural gas will play in achieving national environmental and energy security objectives, NGSA recommends the following:

- 1. Free emission allowances should not favor one energy source over another and should not run counter to the objectives of reducing greenhouse gas (GHG) emissions.**
 - Refrain from providing an inordinate share of allowances to coal given that it eliminates the incentive for generators to convert to cleaner-burning fuels.
 - Encourage and/or provide economic incentives or emissions allowances for early retirement, fuel switching or replacement of high-emitting generators in order to encourage more expedited reductions in GHG emissions.
 - Any incentives for early retirements should be provided through a reliable funding mechanism.
- 2. Market-based solutions should determine the best mix of energy sources needed to meet carbon reduction targets.**
 - If mandates are required (e.g., Renewable Energy Standard or RES), utilities should have the option to use energy sources that substantially reduce carbon emissions from their current levels and are not focused specifically on zero carbon renewable sources of energy.
 - Institute a carbon efficiency standard (CES) that provides proportional credit toward the overall RES reduction through use of low-carbon solutions.
 - Alternatively, allow a natural gas safety valve in which savings from conversions to natural gas generation are counted toward RES compliance.

- 3. In any climate legislation, under a cap-and-trade program, the point of regulation must be as close as practicable to the point of emissions to encourage behavior that will lead to reductions in GHG emissions.**
- 4. Allow natural gas carbon capture and sequestration (CCS) projects to benefit from research and development funding and free emission allowances in the same manner as coal projects.**
 - Fairly disperse CCS gas project research and development funds between natural gas and coal.
 - Specify natural gas as eligible for CCS research and development funding. Alternatively, refrain from specifying coal.
 - Allocate funds based on relative plant emissions.
 - Ensure natural gas producer representation on the board and
 - Include natural gas producer trade groups in the consultation process for nominations and appointments to the board.
 - Use fuel neutral criteria for determining plant eligibility for CCS allowances in a cap-and-trade program. Do not cap allocations of CCS allowances to industrials.
- 5. Incorporate full fuel-cycle efficiency labeling on consumer products which allows consumers to make better-informed decisions when deciding how to reduce their carbon footprint.**
- 6. Fund high efficiency natural gas turbine research and development.**

NGSA represents the major and large independent suppliers of natural gas whose current production provides approximately 30 percent of the natural gas produced in the United States. Established in 1965, NGSA encourages the use of natural gas within a balanced national energy policy, and promotes competitive markets to ensure a reliable and efficient supply and transportation of natural gas to meet the needs of U.S. customers.