



# National Energy Policy Issue Paper - Fuel Neutral Approach

The Natural Gas Supply Association (NGSA) supports the use of a fuel neutral approach to all energy related programs. A fuel neutral approach treats all fuels equally and does not give preferential treatment to one fuel over another. A fuel neutral approach does not mandate fuel use or provide unbalanced subsidies for different types of energy. Regulations set in this context allow all contenders to compete on a level playing field, provided they meet environmental performance requirements. In a National Energy Policy, fuel neutrality applies to many different issues, including R&D, taxes, land access, and application of environmental standards.

## **Fuel Neutrality is Important to a Free Market**

Fuel neutrality should be the cornerstone of a free market economy, allowing the market to determine the source and use of various fuels and govern the introduction of new technologies. Historically, however, laws and regulations were not fuel neutral and created economic bias against the use of natural gas. For example, emissions standards that applied to coal use allowed substantially more air pollution than the standards required of natural gas. This approach inefficiently advantages coal over natural gas and effectively removes the market signals that energy users should rely on to make decisions on fuel choice.

Recently, the federal government has developed fuel neutral regulations that allow the market to determine the balance of fuel use in achieving environmental performance. This approach is both efficient and practical, allowing the end user to evaluate different fuels based on cost and performance. The free market will always allocate resources more efficiently than the government, and a fuel neutral approach is the best policy for ensuring that we have the most economic and reliable energy portfolio.

## **A Fuel Neutral Approach Benefits the Consumer**

Any legislation on a national energy policy should include provisions that are fuel neutral and which allow the market forces to determine an efficient energy portfolio.

### **Taxes**

In so far as Congress chooses to use tax credits and incentives as a tool for leveraging investment in new and mature energy technologies, it must make a concerted effort to ensure that tax incentives are equitable and do not give a competitive advantage to one fuel over another.

### **Environmental Standards**

NGSA strongly opposes any legislation that provides regulatory relief from the Clean Air Act for clean coal technology. Current, proposed legislation provides 10 years of regulatory relief from the Clean Air Act for clean coal technology. Fuel neutral standards must be maintained during the development of emerging technologies to help the market assess and integrate these technologies into the energy mix. Subsidizing clean coal with regulatory exemptions interferes with the market and may result in the failure to adopt technologies that may enhance the effective use of coal in the future.

The NGSA supports a fuel neutral approach for all energy programs. Allowing the market to determine our energy portfolio is the best method for conserving our resources and providing a clean and reliable energy future.