

NATURAL GAS

AMERICA'S UNTAPPED RESOURCE



By Sen. Jim Talent

The key to America's energy security is to become more energy independent. We are leaders in industrial and economic growth, but to sustain this growth we must develop technologies to reduce our dependence on foreign sources of energy. Low-cost, reliable energy is the key to economic prosperity and national security.

Natural gas prices set record highs this winter, exceeding \$15 per thousand cubic feet. Natural gas still costs two to three times traditional levels, due in part to increasing world demands for energy.

High utility bills are hurting family budgets as well as jobs. Missouri farmers and manufacturers are big users of natural gas as feedstock for fertilizer and chemical products. The Industrial Energy Consumers of America reported that "since 2001, natural gas prices have significantly contributed to the loss of 3 million manufacturing jobs and the shifting of future investment overseas."

Rising energy costs impede our ability to compete in the global economy. We are at a disadvantage when America's natural gas sells for \$15 per thousand cubic feet and in Europe it's \$7 and in China it's less than \$5.

The Renewable Fuels Standard, which I added to last year's Energy bill, was an important first step towards reducing our energy dependence. Ethanol and biodiesel are one of the solutions. We also need to responsibly produce more of our own clean burning natural gas.

Natural gas prices are excessive because our rapidly growing demand is outstripping our production. Demand is expected to grow by over 30 percent; however, the Energy Information Administration reports that the U.S. natural gas exploration has doubled since 1998, but production has declined by 1.5 percent. This shows how we're getting all we can out of the resources we can access.

The problem isn't the availability of domestic natural gas resources, it's the barriers that have prevented us from accessing them. The Minerals Management Service estimates that we have 621.1 trillion cubic feet of remaining undiscovered, technically recoverable

gas, 406.1 trillion cubic feet of which is in federal offshore waters. That's enough natural gas to heat 60 million homes for 121 years. Unfortunately, much of this is located in offshore areas which Congress or the president has banned access.

The ban was imposed in part due to safety concerns that experts have said are no longer valid. Interior Secretary Gail Norton recently testified that, "Hurricanes Katrina and Rita confirmed that our offshore oil and gas industry produces environmentally-safe energy for America. Even in the face of two back-to-back major hurricanes, all subsurface safety valves held on the Outer Continental Shelf and there was no significant spill from production."

With energy prices at record levels, the best use of our nation's resources is to carefully and responsibly produce the abundant energy which lies within our borders. One solution may be to open the untapped portion of just one small, unexplored area 100 miles offshore in the Gulf of Mexico. Lease Sale Area 181, as it is known, has enough natural gas to heat 6 million homes for 15 years, according to the American Gas Association.

I've introduced bipartisan legislation with Senators Pete Domenici (R-N.M.), Jeff Bingaman (D-N.M.) and Byron Dorgan (D-N.D.) instructing the secretary of the interior to develop an oil and gas leasing program for this area. Our bill excludes for development any part of Lease Area 181 within 100 miles of the Florida coastline. The Senate Energy Committee will soon hold a hearing on our legislation. This is a pro-growth, pro-jobs solution to help energy consumers and increase our domestic supply of natural gas.

Passing the Energy bill last summer was a good first step and I am confident the Senate will do even more this year to make America more energy independent.



Sen. Jim Talent

Sen. Jim Talent, R-Mo., serves on the Energy & Natural Resources Committee and is co-chairman of the Biofuels Caucus.

into law has roots that go back 10 years. They spent a long time on this law. We're not asking them to dust it off and make changes to it at this time.

energybiz: What do you think is the greatest misconception in the industry about FERC and its role?

KELLIHER: One mistaken belief is that FERC relied solely on competition in the past—and now somehow we've done a 180-degree turn, and we're relying

solely on regulation. It's always been much more nuanced than that. Congress for years has supported open access to the transmission grid, because it recognizes the link between open access and competition. The Energy Policy Act of 2005 reaffirmed that policy direction and gave us better tools to make sure the policy direction is successful.

» Coming in the May/June issue: Kelliher discusses the natural gas industry.