Natural Gas Supply/Demand Notice of Inquiry

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The Wilderness Society submits the following comments in response to the Department of Energy's (Department) request for public comments on it natural gas supply and demand study, authorized by Sec.1818 of the Energy Policy Act of 2005.

Given its close affiliation with and convivial affinity for the fossil energy industry in general, and the fact that this report is being prepared under the auspices of the Department of Energy's Office of Fossil Fuels, we will be very surprised if the findings and recommendations of the Department's report differ in any marked degree from the recommendations proposed by the fossil fuel program's primary perceived constituency – the fossil fuel industry itself. Given this institutional bias, we can safely predict that the study being prepared pursuant to the Congressional mandate above will find that: (a) there is a vast amount of domestic natural gas resources occurring on onshore and offshore federal lands; but (b) there are too many regulatory "impediments and restrictions" inhibiting the natural gas industry's access to these resources. Furthermore, we can safely predict that most of the "impediments and restrictions" found by the authors of the report to allegedly inhibit natural gas production from federal lands are designed either to (a) protect environmental values occurring on or in proximity to those lands, or (b) to allow citizens concerned about the impacts of proposed developments access to various administrative or legal opportunities to assure that the protection of these values occurs. And finally, we expect that the report will focus on the economic costs to the energy industry of retaining the protection of these resource and values, and will not contain a complete examination of the benefits of environmental protection to consumers, our economy, and our society.

Our expectations regarding these biases are verified by the information already provided by the Department regarding the sources of information that will be used in the preparation of the report.

For example, the Department's public comment notice indicates that the authors will be relying heavily on the National Petroleum Council's (NPC) 2003 report entitled, Balancing Natural Gas Policy: Fueling Demands of a Growing Economy. That report contained biased information regarding the impact of federal land use management and permitting policies on the availability of natural gas from onshore federal lands in the Rocky Mountain West, by indicating that a far more significant proportion of federal natural gas resources was unavailable for development than did the Department of the Interior's "EPCA" report, published in the same year, and which the Department of Energy participated directly in the development of.

Specifically, the NPC report asserted that 69 TCF, or 29 percent, of the federal natural gas technically recoverable resource base in the Rockery Mountain West was “effectively off-limits” to extraction (Balancing Natural Gas Policy, Fueling Demands of a Growing Economy, NPC, 2003, Vol. I, p. 33). In fact, the Department of the Interior’s “EPCA” Report determined that only 12 percent of the technically recoverable natural gas occurring on federal lands within the region, or 15.9 TCF, was unavailable for leasing and development. (Scientific Inventory of Onshore Federal Lands’ Oil and Gas Resources and Reserves and the Extent and Nature of Restriction or Impediments to their Development, Department of the Interior, et al., January, 2003, p. xiii.) The NPC report’s conclusions were derived exclusively by analyses conducted by oil and gas industry representatives or contractors who obviously have a bias in favor of fewer environmental requirements on federal oil and gas leases, and conveyed the impression that federal regulatory policies are inhibiting their ability to access federal minerals. The reality is quite different. According to Bureau of Land Management (BLM) data, in fiscal year 2004, the agency issued over 6,000 drilling permits to onshore operators. However, only about 2,700 new wells were spud on these lands in that year. In other words, the BLM in recent years has issued thousands more drilling permits on federal lands than the industry has used. So, industry assertions that regulatory “impediments” are inhibiting their ability to acquire “access” to onshore federal natural gas resources are spurious. We are not alone in our concerns over the usefulness of the NPC report. Costella et al (2004) conclude "The NPC modeling ..overstates the impact of and need for government policy initiatives...does not provide a full picture of the policy costs and benefits... and policy commitments are especially risky in the current, highly uncertain market environment.” (After the Natural Gas Bubble: A Critique of the Modeling and Policy Evaluation Contained in the National Petroleum Council’s 2003 Natural Gas Study, 2004. Ken Costello, Hillard G. Huntington, and James F. Wilson, Energy Modeling Forum, Stanford University.) Given the NPC report’s bias in regard to its interpretation of the impacts of federal leasing and permitting practices, the Department should not use the NPC estimates of natural gas resources availability from federal lands published by the NPC in deriving its conclusions and recommendations. Instead, the Department should use the Department of the Interior’s 2003 “EPCA” report’s more reliable findings.

It is also apparent from supplementary information on the Department’s study website that other information that will be relied upon in reaching the report’s conclusions has been prepared by consultants with a demonstrated bias in favor of industry perspectives on various issues. Advanced Resources International, Inc., for example, is a company whose client base is largely if not exclusively the energy industry. Yet, DOE is relying on ARI for various supporting studies, for example, a study on the “Estimated Impacts of Proposed Stormwater Discharge Requirements on the Natural Gas Industry.” (www.fe.doe.gov/programs/oilgas/environment/publications/storm_water_summ120704.pdf) This study – predictably – came to the conclusion that requiring the natural gas industry to protect the nation’s surface water quality during construction activities would cost the industry hundreds of millions of dollars per year. On the other hand, the report offered no estimates of the economic or social benefits to be derived from the protection of water quality from natural gas development and construction activities that compliance with the provisions of the Clean Water Act’s stormwater program would afford. Yet, the

Department is happy to post ARI's study on its website, and will no doubt rely on the biased findings of this work in its report to Congress.

In conclusion, although it is probably too much to ask and expect, we suggest that the Department take a new tack in preparing its natural gas report to Congress than its usual reliable support for the fossil fuel industry's perspective and self-serving agenda on national energy policies. We suggest that the Department attempt to define a more balanced approach to the natural gas supply issue than we are predicting above. For example, perhaps the Department's report could prominently feature a discussion of the benefits to be derived from a comprehensive and aggressive national policy of encouraging and promoting the more efficient use of natural gas within all sectors of the economy. And, instead of inevitably focusing and empathizing with industry complaints regarding the alleged onerousness of protecting environmental values on the public lands and Outer Continental Shelf, perhaps you could instead discuss the legitimacy and benefits of policies that seek to protect resources that can and are impaired by natural gas extraction development activities.

Submitted by:

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