



*The largest US independent natural gas and oil exploration and production companies – investing more than their earnings and 100 percent of their cash flows in the high-tech search for new energy supplies*

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## **Natural Gas: Policy Choices to Fuel the Economy and Provide Climate and Consumer Benefits**

**Significant North American Resources in the Ground**

**Growing Reserves Proven by Exploration**

**Increasing Production to Supply Increasing Demand – that will Accelerate with Any Climate Action**

*Beginning in December 2005 at the request of the Department of Energy, the American Exploration & Production Council (at the time called the Domestic Petroleum Council) outlined priority natural gas supply policy actions that could lead to both nearer- and longer-term benefits to consumers and the nation as a whole.*

*Since then progress has been promising in some areas, mixed in others. Apart from restoring hurricane Rita and Katrina-affected production – accomplished in remarkable time, at huge cost, and with no significant environmental consequences – here is what we said we need, and an update:*

- **Immediate, visible and responsible action by our federal land management agencies to improve and speed processing of energy permitting.**

Real progress has been made, especially by the Bureau of Land Management.

Natural gas reserves in the US have grown. Production has increased, primarily in the Rocky Mountain Region with its large federal lands resources.

These new trends are in significant measure a result of better energy project permitting because of more stable funding and process efficiency improvements authorized and directed by the Energy Policy Act of 2005. BLM has hired more people with expertise in areas such as resource and management, wildlife, inspection and enforcement and permitting. Improved permitting practices have led to the BLM's approving more permits than ever. But the number of APDs being filed continues to grow even faster. And the Forest Service continues to lag the BLM pace considerably.

BLM and Forest Service improvement efforts must continue. This means that adequate permit processing funds must continue to be appropriated by Congress. It also means that resource agencies must be competitive in attracting and retaining personnel. All this is especially important in view of the need to meet increasing natural gas demand that will grow even faster with any new climate change policy.

- **Immediate action by the Administration to see leasing of the remaining Sale 181 area in the Eastern Gulf of Mexico as early as next summer (2007).**

The remaining Sale 181 leases should be offered this Spring as a result of Eastern Gulf of Mexico OCS leasing and improved revenue sharing provisions of the Gulf of Mexico Energy Security Act (GOMESA) that was signed into law in December of 2006.

Adoption of GOMESA demonstrated that action on improved OCS access is possible and signaled that a strong coalition of consumer and producer groups could be effective in making positive energy policy change.

The anticipated lease sale will once again focus positive attention on large potential US offshore resources that companies are willing to risk significant investment to find, develop and produce.

- **Immediate action should be taken to begin allowing selective removal of prohibitions against energy exploration, development and production offshore.**

No action has been taken. The current MMS 5-Year Leasing Program maintains an active GOM sale schedule with some additional acreage offered, a number of sales off Alaska, and the possibility of one sale off the Virginia coast.

Overall, strong consumer company and association grassroots and other efforts have built remarkable offshore access support. That support has led to progress, but not yet key needed actions.

### **Additional Natural Gas Supply Action is Needed**

North America's significant natural gas resources can provide increased supplies needed to meet growing demand – demand that will accelerate with any climate change policy even with strong conservation and alternative energy programs.

That potential will only be fulfilled with policies that:

- maintain and increase access to onshore non-park, non-wilderness federal lands that are supposed to be available for multiple uses, including energy exploration and production;
- provide adequate funding and competitive employee hiring and retention practices for federal energy permitting agencies, primarily the Interior Department's Bureau of Land Management and Minerals Management Service, and the Agriculture Department's U.S. Forest Service so that progress will continue on permit processing efficiency improvements and staffing increases in areas of wildlife management, resource specialists, and inspection and enforcement personnel.
- increase reasonable access to offshore areas currently under congressional and executive Branch moratoria, with state concurrence;
- ensure that any state with future offshore energy production can share in federal bonus, rent and royalty payment income to the same extent as Gulf Coast states;
- encourage continued efficient processing and approval of permits for liquefied natural gas import facilities that can provide additional future supply assurance; and,
- prevent additional costs in the form of taxes, royalties and/or fees that exploration and production companies (that spend multiples of earnings and 100% of cash flows) would have to offset with budget rebalancing and reduced investment.