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October 6, 2005

Ms. Renee Orr
5-Year Program Manager
Minerals Management Service (MS-4010)
Room 3120
381 Elden Street
Herndon, VA 20170

Subject: Comments on Preparation of 5-Year Program for 2007-2012 and
Scoping Comments on the EIS for the 5-Year Program for 2007-2012

Dear Ms. Orr:

The American Gas Association (AGA) is pleased to respond to your request for comments on the preparation of a new 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program and the scope of issues to be covered in the associated Environmental Impact Statement (EIS). The AGA represents 195 local energy utility companies that deliver natural gas to more than 56 million homes, businesses and industries throughout the United States. AGA member companies account for roughly 83 percent of all natural gas delivered by local natural gas distribution companies in the U.S. AGA is an advocate for local natural gas utility companies and provides a broad range of programs and services for member natural gas pipelines, marketers, gatherers, international gas companies and industry associates. Our association is sharply focused on assisting its member utilities obtain and deliver stable supplies of clean-burning natural gas safely and reliably.

Over the past five years American consumers of natural gas have borne the brunt of ever increasing prices, the natural outcome of an increasingly tight balance between supply and demand. During that time the price for natural gas has increased more than 400 percent, causing severe financial hardship for manufacturers, farmers, homeowners and other consumers throughout the land. To address this situation, it is critical that the federal government expand the offshore areas available for natural gas production. The AGA therefore has a substantial interest in the development of the new 5-Year Program Plan.

Summary of AGA's Position

Natural gas prices are soaring and given the projected 40 percent growth in demand by 2025 the AGA strongly urges the U.S. Department of the Interior to open up many areas of the OCS currently off-limits to natural gas production in order to help ease prices for consumers. We ask that the Minerals Management Service (MMS) include areas currently under administrative withdrawal or leasing moratoria in the new 5-Year Plan, so that the areas will have been analyzed if circumstances change between 2007 and 2012. In particular, we strongly recommend that the Atlantic and the Aleutian Basin of Alaska planning areas be included. The AGA further urges the agency to lease the full area of the Eastern Gulf of Mexico not under moratoria, known as the "original 181 area." We also encourage the MMS to continue the annual offering of all acreage in the Central and Western Gulf of Mexico. Finally, we ask that the Interior Department and the MMS consider the use of natural gas preference leases in order to make the new 5-Year Plan as flexible as possible.

Natural Gas Supply, Demand and Prices

Natural gas is the cleanest fossil fuel, which has made it increasingly desirable for home heating, appliances and electricity generation. As a result, demand has been steadily rising in recent years. The "gas bubble" of the late 1980s and '90s is gone. No longer is demand met while unneeded production facilities sit idle. The valves are wide open, yet demand has been outpacing supply, and the result has been both higher and more volatile prices. See AGA's Study *Avoiding the Wild Ride – Ways to Tame Natural Gas Price Volatility* (<http://www.aga.org/WildRide>).

Natural gas utilities and customers are in the same boat when prices go up—we are all hurt. Higher and more volatile prices have made customers shocked and angered by their monthly natural gas bills. Our member companies have borne the brunt of that anger, even though we simply pass the costs we pay for that gas on to the customer—with no mark-up or profit.

There are only two ways to solve this problem. We must decrease demand *and* increase supply. Residential consumers have already reduced their gas consumption by 20 percent over the past two decades. Yet overall demand for natural gas is rising due to population increases and regulatory pressure to use clean natural gas for electric power production. Conservation alone is not the answer. Instead, we must also increase supplies of natural gas to meet rising demand. We need *both* conservation and increased supplies to ensure a healthy, vibrant economy with sustained growth. See AGA study *From the Ground Up – America's Natural Gas Supply Challenge* (<http://www.aga.org/FromTheGroundUp>).

This two-pronged policy approach was recently advocated in the National Commission on Energy Policy's December 2004 report. In order to provide the ample, secure, clean and affordable energy supplies the nation requires, the commission recommended "policies to expand and diversify available supplies of natural gas," among other things. Furthermore, the commission notes that natural gas is a "fuel that is critically important to the nation's energy supply and that is likely to play a substantial role in the transition to a lower-carbon energy future." See *Ending the Energy Stalemate, A Bipartisan Strategy to Meet America's Energy Challenges* (<http://www.energycommission.org>).

Public health and welfare is also at stake. Poor families have had to struggle to pay to heat their homes in recent winters. Applications for charitable assistance and federal assistance under the Low Income Home Energy Assistance Program (LIHEAP) soared in recent winters. And many working poor families do not qualify for such assistance. Many poor families have to make hard choices between being warm and being fed. This tough fact often seems forgotten in the debate over drilling on the Outer Continental Shelf.

From a broader public welfare perspective, if the current supply-demand imbalance and the resulting price volatility are allowed to continue, it could cause natural gas customers to switch to other less efficient, less secure and less environmentally friendly fuel sources. An AGA study estimates that a 50 percent increase in natural gas use could reduce oil imports by approximately 2.6 million barrels a day, while reducing emissions of our principal greenhouse gas, carbon dioxide, by some 930 million tons every year. See *Fueling the Future – Natural Gas & New Technologies for a Cleaner 21st Century (2001 Update)* at page 1 (<http://www.aga.org/FuelingTheFuture>). These environmental benefits will be forsaken unless the United States increases natural gas production.

Indeed, early this year, a coalition of major manufacturers, three environmental groups and energy-efficiency groups have written to President Bush and Congress calling for new U.S. natural gas policies to strike a much needed balance between growing natural gas demand and limited supply, while ensuring that gas development takes place in an environmentally responsible manner. See *Letter to President Bush and Congress, January 3, 2005* (<http://aceee.org/energy/natgasprinciples.pdf>).

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To ensure that the United States has adequate supplies of natural gas to meet demand and to moderate prices, it must pursue new gas supply options in a timely and environmentally responsible manner, and diversify domestic sources of gas supply. The U.S. Department of the Interior now has an opportunity to do just this by incorporating all the areas of the OCS into its new 5-Year Program Plan.

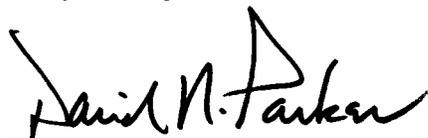
Conclusion

We recognize that it is not easy to balance other competing interests with the public interest in obtaining reliable, clean, domestic supplies of energy. Recent public opinion polls conducted for AGA in six coastal states, however, show that **a clear majority of voters favor offshore exploration and production** of energy, provided that their state is allowed to share with the federal government control over the leasing process and production royalties. People understand that energy development, particularly for natural gas, done out of sight, poses very little environmental risk, yet offers very large economic and clean air benefits.

In order to close the gap between available domestic supplies of natural gas and surging demand, we ask that the new 5-Year Program Plan for the OCS be designed with maximum flexibility, placing as much acreage as possible within the plan in order to respond to our nation's energy needs, economic growth and national security during the period of 2007-2012.

The American Gas Association appreciates the opportunity to provide comments on the Proposed Outer Continental Shelf Oil and Gas Leasing Program for 2007-2012. If you have any questions or need additional information, please contact Tom Moskitis at (202)824-7031, or at tmoskitis@aga.org.

Respectfully submitted,

A handwritten signature in black ink that reads "David N. Parker". The signature is written in a cursive, flowing style.

David N. Parker