



June 8, 2009

The Honorable Edward Markey  
Chairman  
Subcommittee on Energy and Environment  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Fred Upton  
Ranking Member  
Subcommittee on Energy and Environment  
Committee on Energy and Commerce  
U. S. House of Representatives  
Washington, D.C. 20515

The Honorable Henry Waxman  
Chairman  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Joe Barton  
Ranking Member  
Committee on Energy and Commerce  
U. S. House of Representatives  
Washington, D.C. 20515

**Re: Subcommittee Hearing on ACES Allowance Allocation Provisions**

Dear Chairman Markey, Ranking Member Upton, Chairman Waxman, and Ranking Member Barton,

As the Subcommittee examines the carbon emission allowance allocation policies contained in the *American Clean Energy and Security Act (ACES)*, I am pleased to offer the following thoughts of America's Natural Gas Alliance (ANGA).

ANGA is a new organization representing 26 of the nation's leading independent natural gas exploration and production companies. ANGA members are dedicated to increasing the appreciation of the environmental, economic and national security benefits of clean, abundant, dependable and efficient American natural gas.

ANGA believes any policy to reduce greenhouse gas (GHG) emissions should provide incentives to reach the lowest, most cost-effective carbon emissions possible. GHG emissions resulting from the combustion of natural gas are the lowest of any fossil fuel. In fact, natural gas emits nearly 50% fewer emissions than coal. As such, policies that promote a reduction of GHG emissions should encourage, not inhibit, the production and use of natural gas.

We are concerned, however, that provisions of ACES, as approved by the Committee, could discourage natural gas use. Specifically, the allowance allocation formula in the bill could eliminate the incentive to burn fuels with a lower carbon content for power generation.



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**NATURAL GAS**  
ALLIANCE

The bill would initially distribute, for free, 50% of utility sector allowances based on the utility's historic average annual CO2 emissions from retail electricity sales. That provides a disincentive for utilities to purchase the electricity they sell from generators that use cleaner fuels, such as natural gas. We believe allowance allocations should instead reward utilities that acquire their power from fossil fuel generators that have the lowest CO2 emissions per Megawatt hour and are also the most efficient (e.g., require the least amount of energy to produce electricity).

The allocation policy for allowances should complement the bill's environmental goals, not cancel out the distinction between high and low carbon fossil fuels for generating electricity. Such an approach seems to us to be counterproductive.

Expanded use of natural gas is an important way to support GHG emission reductions. According to Energy Information Administration (EIA) reported numbers, if the U.S. increased the utilization of its existing natural gas fired power plants from 26% to 50%, it would reduce America's carbon emissions by 326 million tons annually. Moreover, utilizing North America's abundant supplies of natural gas (the U.S. holds more than a 100 year supply) will help to create thousands of jobs and reduce our growing dependence on foreign oil.

As the Congress continues to address our nation's most challenging energy and environmental issues, we urge you to consider the role that abundant, reliable, North American natural gas can play in securing a clean energy future.

We look forward to working with you and your colleagues in both the House and the Senate in the weeks and months ahead as you address these and other energy and environmental priorities.

Respectfully submitted,

Rod Lowman  
President  
America's Natural Gas Alliance

cc: Members, Committee on Energy and Commerce