

America's Natural Gas Alliance

Climate and Energy Policy Recommendations

Executive Summary

The increased calls for reliable sources of energy that can reduce our greenhouse gas (GHG) emissions, support our economy, and heat our homes makes our nation's abundant supply of natural gas a sensible solution for America. As Congress wrestles with enacting new climate and energy policy, America's Natural Gas Alliance (ANGA) believes that the use of natural gas should be at the forefront of any discussions about the reduction of GHG emissions as America transitions to a clean energy economy. To that end, ANGA has developed a series of legislative recommendations that would promote the reduction of carbon emissions through increased supply and use of a clean, abundant, reliable, versatile, and efficient domestic fuel source – natural gas.

Accelerated Carbon Emissions Reduction Proposals

- *Bridge Fuel Credit* – ANGA proposes a Bridge Fuel Credit (BFC) that could be used like an allowance or offset for each metric ton reduction of GHG emissions attributable to the substitution of clean natural gas for another higher emissions intensity fossil fuel (*e.g.* coal, diesel). The availability of BFCs should be coupled with some other measure (*e.g.*, a small reallocation of free allowances or a reduction of the international offset pool) to ensure that the bill's emissions reduction goals are maintained.
- *Modify International Offsets* – Modifying the availability of international offsets could help ensure the validity of international offsets and provide opportunities for immediately available domestic offsets like BFCs.
- *Study Hydraulic Fracturing* – ANGA believes that hydraulic fracturing practices used by its member companies to extract natural gas from the earth are environmentally sound as currently regulated. The EPA, Ground Water Protection Council, and Interstate Oil and Gas Commission have all concluded that under current regulatory structures, these practices do not threaten the environment or public health. If Congress is concerned about hydraulic fracturing regulation, it should first require a study to be conducted in conjunction with these entities to address the safety of this technology and the effectiveness of its regulation.
- *Protect the IDC Deduction* – ANGA opposes any proposal to repeal the current treatment of intangible drilling costs (IDCs) under the Internal Revenue Code. The current treatment afforded IDCs under the tax code plays a significant role in encouraging American natural gas exploration and production. Repealing this treatment will reduce investment in new American natural gas development, which is essential to a clean energy future.
- *Renewable Electricity Standard* – ANGA's primary principle regarding RES is to make certain that natural gas is not disadvantaged. There may be multiple methods of attaining that objective. ANGA seeks to explore with all parties how that objective may be accomplished.

- *Adopt The New Alternative Transportation to Give Americans Solutions (NAT GAS) Act (S.1408) and Exempt Natural Gas Used as a Vehicle Fuel from Cap-and-Trade Coverage* – ANGA supports the adoption of the NAT GAS Act, or other measures that would encourage the manufacture and purchase of natural gas vehicles and related infrastructure. Exempting natural gas used for transportation from the carbon cap would be a way to encourage natural gas vehicle use.

Supplemental Carbon Emissions Reduction Proposals

- *Improve Treatment of Uncapped Emissions* – Instead of imposing costly command-and-control regulations on uncapped sources (e.g., fugitive emissions), companies could implement emission-reduction projects that would serve as additional domestic offsets. This would help reduce compliance costs and maximize cost-effective reductions.
- *Building Codes Should Reflect Full-Fuel-Cycle Efficiency* – A more accurate way to measure efficiency of residential and commercial appliances would be to consider the full cycle (e.g., from well head to end use). Both EPA and the National Academy of Sciences have acknowledged the merits and benefits of a full-fuel-cycle approach. Using a full cycle source efficiency measure (instead of site efficiency) would encourage the installation of lower-carbon based emissions appliances and commercial equipment.
- *Include Natural Gas in Carbon Capture and Sequestration Projects* – ANGA proposes that the Senate's bill include natural gas-fueled power plants and industrial facilities among those entities eligible to receive emissions allowances set aside for commercial carbon capture and sequestration (CCS). The bill should also direct the new ratepayer-funded Carbon Storage Research Corporation to dedicate a portion of its funds to CCS from natural gas-fueled sources.
- *Delay Carbon Cap Effective Date for Natural Gas Distribution Companies* – ANGA proposes a delay of cap-and-trade regulation on natural gas distribution companies from 2016 to 2020, thereby relieving some of the pressure resulting from the cost of allowances and allowing natural gas utilities time to grow consumer use of natural gas applications (e.g., water heaters, furnaces).

Other Carbon Emissions Reduction Proposals/Energy Modifications

- *“Truth in CO₂ Labeling” for Retail Electricity Deliveries* – ANGA proposes requiring utilities to provide consumers with information – in bill stuffers – about the full-fuel-cycle CO₂ profile (i.e., well to plug) of the electricity supplied.
- *Amend “Findings and Purposes” Language* – The “findings and purposes” section of the bill should make clear that fulfillment of the purpose of the Act also requires advancing the production and deployment of domestic low-carbon energy sources, including natural gas.

- *Preemption* – ANGA supports the implementation of a single, comprehensive Federal GHG cap-and-trade program, as well as a single Federal GHG registry.
- *Conform Global Warming Potentials to Internationally Recognized Standards* – The House bill assigns methane a Global Warming Potential of 25. The current applicable domestic and international GWP for methane is 21. ANGA proposes application of a GWP value of 21, as recognized by EPA, at least until another value is recognized and used domestically and internationally.
- *Support Senate Energy and Natural Resource Committee's Transmission Proposal* – ANGA supports the transmission-siting language that was reported by the Senate Energy and Natural Resources Committee. This language is more effective than the limited provisions included in the House bill (limited to certain western regions). Improved transmission will support the expansion of renewable energy sources and lower-carbon fuels like natural gas.
- *OTC/Hedging Proposal* – The House bill includes measures that require hedging activities to be conducted directly with the monitored exchanges and imposes cash collateral requirements twice daily based on the value of hedge positions. ANGA proposes to eliminate or significantly limit application of these measures to protect legitimate hedging activities by oil and gas companies.
- *Natural Gas Extraction* – ANGA advocates a number of measures that would expedite access to and encourage development of domestic natural gas resources.

Introduction

As the Senate considers climate change and energy legislation on the heels of passage of the American Clean Energy and Security Act of 2009 (ACES) by the House, America's Natural Gas Alliance (ANGA) seeks to raise the profile of a low-carbon, abundant, domestic fuel source that ACES largely ignores – natural gas. The proposals set out below: (1) demonstrate the “here and now” environmental and climate change benefits of natural gas; (2) emphasize the abundant, clean and reliable aspects of natural gas; and (3) level the playing field for natural gas when comparing it to other fossil fuels within the ACES legislative framework that the Senate now considers. The proposals are listed in order of priority, moving from highest to lowest.

Proposals

A. ACCELERATED CARBON EMISSIONS REDUCTION PROPOSALS

1. Bridge Fuel Credit

What is it? To accelerate greater near term emission reductions from domestic sources, covered entities should be given an additional compliance option of bridge fuel emissions reduction credits (“Bridge Fuel Credit”) based on the expanded use of natural gas-fueled power and heat in place of less clean sources.

How would it work? A Bridge Fuel Credit (BFC) could be used like an emission allowance or offset and would reflect the reduction of one ton of greenhouse gas (GHG) emissions that is attributable to the substitution of natural gas for another fossil fuel, as compared to a business-as-usual case based on historic use (*e.g.*, average use from 2005-2008) by a capped entity. The total volume of BFCs that may be issued in any year, however, could be limited to 250 million tons of CO₂e and effective for a specified period of time. The availability of BFCs should be coupled with some other measure to ensure that the bill's emission-reduction goals are maintained.

For example, a small reallocation of the free allowances could support the addition of BFCs within the cap. Another possibility is to reduce the one billion metric ton international offset pool. In other words, instead of international offsets being allowed to take up the entire one billion ton pool space, the pool would be shared between BFCs (up to 250 million metric tons) and international offsets. For a 250 million tCO₂e/yr BFC program, international offsets would need to be reduced by at least 312 million tCO₂e/yr, as international offsets receive a 1.25:1 ratio credit (or 80% of a domestic credit). Some kind of ramp-up schedule for allowed international offsets in conjunction with 250 million tCO₂e/yr BFCs would be an effective way to accommodate both BFCs and international offsets.

2. Modify International Offsets

What is it? This proposal offers multiple options to modify the use of international offsets credits. The goal would be to couple such a change with Bridge Fuel Credits.

How would it work? Modifying the availability of international offsets might be approached in several ways:

- a. *Reduction of Offsets Allowed under the Statute.* Reduce or very substantially cut back (~50%), or phase in the one billion tCO₂e/yr pool of international offsets.
- b. *Increase the International Offset Discount.* The House bill provides a 1.25:1 ratio credit for international offsets after 2018 (*i.e.*, 1.25 “imported” offsets are needed in exchange for each credit awarded inside the U.S.). Changing the international offset credit ratio to something closer to 2:1 and starting the “discount” sooner than 2018 would be another way to limit international offsets. This can be done for a set period of time.
- c. *“Use It or Lose It” Approach for International Offsets.* Eliminating the ability to bank international offsets for more than one or two years would provide greater opportunities for domestic offsets, including the Bridge Fuel Credit. The scope for banking of international offsets could then be revisited at a later date (*e.g.*, after 2020).

3. Conduct a Study on Hydraulic Fracturing

What is it? This proposal suggests conducting a study on the impacts to drinking water and other environmental resources resulting from the use of hydraulic fracturing to develop natural gas and oil resources.

How would it work? Hydraulic fracturing is the process of injecting fluid under pressure to facilitate the production of oil and natural gas. When a well is drilled into reservoir rock that contains oil, natural gas, and water, the injected fluid opens fractures in the rock, after which an agent (typically sand carried by high-viscosity additives) is pumped into the fractures to keep them from closing when the pumping pressure is released. Hydraulic fracturing allows oil or natural gas to move more freely from the rock pores to a production well so that it can be brought to the surface. This technology has been used for 60 years to enhance production from oil and gas wells. Its continued use plays a significant role in promoting America's energy security and addressing climate change concerns, as it makes gas wells in many types of unconventional formations, such as shales, economically viable.

While concerns have been raised that hydraulic fracturing may cause drinking water contamination or result in other environmental harms, this technology has established a long, environmentally sound track record. Indeed, there is a lack of hard evidence establishing that hydraulic fracturing has affected drinking water resources. This conclusion is bolstered by a 2004 EPA study, which found that the injection of hydraulic fracturing fluids into coalbed methane wells poses little or no threat to underground sources of drinking water and does not justify additional study. The Ground Water Protection Council and the Interstate Oil and Gas Commission have also determined that hydraulic fracturing poses no threat to the environment or public health.

ANGA does not believe that federal regulation of hydraulic fracturing under the Safe Drinking Water Act is needed, as adequate measures exist under state programs to ensure the safe and

environmentally sound implementation of hydraulic fracturing technology. Instead, ANGA proposes that before implementing any federal regulation of this technology, Congress should authorize that a study be conducted in conjunction with EPA, the Ground Water Protection Council and the Interstate Oil and Gas Commission to examine the impacts of hydraulic fracturing on drinking water and other environmental resources.

4. Protect the Intangible Drilling Costs Deduction

What is it? Intangible Drilling Costs (IDCs) are the various non-recoverable costs incurred when companies drill natural gas and oil wells, including costs such as wages, fuel, repairs, hauling and supplies. Under the Internal Revenue Code, companies may elect to expense rather than capitalize IDCs. This is an important tax incentive that encourages domestic exploration for gas and oil. The President's FY2010 budget proposes to eliminate expensing of IDCs and 60-month amortization of capitalized IDCs. ANGA strongly opposes this measure.

How would it work? IDCs are integral to the exploration and production of natural gas and oil. These costs can amount to 65-80% of the expense of drilling a well. The ability to expense IDCs under the tax code helps ensure that companies have capital available for domestic exploration and production. Since 1913, IDCs have been afforded this treatment under the Internal Revenue Code. Like other American businesses, natural gas and oil companies should be allowed to expense certain costs related to producing a good or service.

Eliminating or further restricting the ability to expense IDCs will undoubtedly reduce investment in domestic gas and oil development. Such investments are essential to developing natural gas resources that are needed to support a clean energy future, as well as the creation and sustaining of jobs resulting from that investment. Accordingly, ANGA opposes the unfavorable tax treatment of IDCs as set forth in the Administration's FY2010 budget proposal.

5. Renewable Electricity Standard –Natural Gas

What is it? The Renewable Electricity Standard (RES) mandates that retail suppliers use a minimum amount of specific eligible renewable resources each year. While ANGA does not propose to have natural gas treated exactly like a renewable fuel source (*e.g.* wind, solar) under the RES, ANGA seeks to ensure that natural gas is not disadvantaged by the RES. Natural gas is the cleanest fossil fuel and domestically-available in abundant supply. When combusted, natural gas produces less SO_x, NO_x, and particulate matter than coal, and almost 50 percent less CO₂ than coal. Accordingly, ANGA does not believe natural gas should be treated like other fossil fuels.

ANGA will work with others in the climate change/energy debate to devise a proposal that will not disadvantage natural gas within the RES framework.

6. Adopt The New Alternative Transportation to Give Americans Solutions (NAT GAS) Act (S.1408) and Exempt Natural Gas Used as a Vehicle Fuel from Cap-and-Trade Coverage

What is it? ANGA believes that natural gas as a vehicle fuel should be exempt from cap-and-trade coverage. As currently drafted, the House bill requires natural gas utilities to acquire carbon credits for natural gas used as a vehicle fuel to displace gasoline and diesel fuel. Because this would make natural gas vehicles a more expensive option, this would result in more – not less – greenhouse gases being produced by the nation's vehicle fleet.

How would it work? ANGA supports the following:

- The inclusion of The New Alternative Transportation to Give Americans Solutions (NAT GAS) Act (S.1408) in the Senate's climate change bill. The bill would provide incentives for motorists and fleets to switch from vehicles that are powered by gasoline and diesel to vehicles that are powered by natural gas.
- Adding language to multiple sections of the bill to prohibit application of those sections to natural gas used as a transportation fuel to displace petroleum motor fuel, ensuring that natural gas used as a vehicle fuel is exempted from cap-and-trade coverage.

According to a recent study done for the California Air Resources Board, when measured on a well-to-wheels basis, natural gas vehicles reduce greenhouse gases by 22 percent versus comparable diesel vehicles and 29 percent versus comparable gasoline vehicles. ANGA believes a final bill should recognize this fact and encourage the use of natural gas vehicles.

B. SUPPLEMENTAL CARBON EMISSIONS REDUCTION PROPOSALS

1. Improve Treatment of Uncapped Emissions

What is it? ACES requires EPA to impose GHG performance standards on certain uncapped greenhouse gas sources, including coal mines, landfills and natural gas and petroleum systems. These GHG performance standards would impose heavy costs on these uncapped sectors, as well as increase compliance costs of the cap-and-trade program for the U.S. economy as a whole. ANGA proposes the elimination or delay of GHG performance standards in order to allow companies to implement projects in the near-term to help contain compliance costs and maximize cost-effective GHG emission reduction offsets.

How would it work? Imposition of GHG performance standards would eliminate opportunities for these uncapped sources to implement GHG emissions reduction projects to generate domestic offset credits. EPA's own modeling has shown that this reduction in offset supply due to the imposition of these GHG performance standards will increase the costs of the cap-and-trade program to the U.S. economy, shrinking the supply of domestic offset credits by 45% while increasing allowance prices by 9%.

ANGA suggests the following options (in order of preference) to improve the treatment of uncapped emissions:

- Eliminate new command-and-control regulations in Section 331 of ACES.
- Amend the House bill language to explicitly list emissions reductions from uncapped sources (such as reduction of fugitive emissions from natural gas extraction, processing and transportation systems) as eligible offset project types, and grant EPA authority to regulate uncapped emissions under the cap-and-trade regime after 10 years.
- Defer imposition of GHG performance standards for at least 10 years to provide cost containment at the starting period of the cap-and-trade program and give companies a longer time horizon to install emissions reduction/collection systems before regulations are promulgated. Within this option, also:
 - a) Require performance standards to be fixed for at least 10 years.
 - b) Allow emissions reductions beyond performance standards to be eligible as offsets.
 - c) Grant EPA greater flexibility to issue alternatives to performance standards related to fugitive and vented methane, such as design, equipment, work practice or operational standards.
 - d) Require that such alternative standards use commercially proven and cost-effective demonstrated technologies.
 - e) Extend federal preemption of cap-and-trade programs to include state performance or alternative standards. Duplicative performance standards will increase the compliance costs and the effectiveness of the program.

2. Building Codes Should Reflect Full-Fuel-Cycle Efficiency

What is it? The Department of Energy's (DOE) current energy efficiency measures for residential and commercial appliances and equipment are based on the efficiency of those appliances and equipment at the point of use (*i.e.*, "site" efficiency). From a greenhouse gas production perspective, site efficiency is much less relevant than the efficiency of equipment when the entire fuel cycle (*e.g.*, from well head to end use) is considered (*i.e.*, "source" efficiency).

EPA and the National Academy of Sciences have acknowledged that the full fuel cycle, or "source energy," is the most accurate way to measure the total amount of energy used by any given end-use application. Source energy incorporates all transmission, delivery, and production losses, allowing for a complete assessment of energy efficiency. Currently, DOE does not undertake appliance rulemakings and other activities based on source efficiency considerations, in part, because DOE is limited by the prevailing definition of "energy use" in the U.S. Code.

How does it work? An amendment to Section 6291 of the Energy Policy and Conservation Act would: (1) ensure that all stakeholders, when relying on DOE test procedures, will be provided efficiency measures based on the full fuel cycle; and (2) require that the resulting rating include a measure of carbon dioxide based on full cycle calculations.

3. Include Natural Gas in Carbon Capture and Sequestration Projects

What is it? To ensure that all fossil fuels have an equal opportunity to benefit from new government programs to underwrite the development and commercial deployment of carbon capture and sequestration (CCS) technologies, these programs must not be limited only to coal-fired electricity generation. Natural gas-fueled power plants and industrial boilers should also be eligible to participate.

How would it work? ANGA proposes that natural gas-fueled power plants and industrial facilities be included among those entities to which emissions allowances would be distributed to support commercial CCS. It would also be necessary to include provisions with appropriate standards that set the award of bonus emission allowances for eligible natural gas-fueled projects because the standards for capture and sequestration of CO₂ currently are based on forecast technologies for coal-fired projects only. In addition, the new ratepayer funded Carbon Storage Research Corporation should dedicate a portion of its funds to CCS from natural gas-fueled sources. Alternatively, if natural gas is not allowed to share in the CCS incentives, natural gas should not be assessed a charge to fund the Carbon Storage Research Corporation.

Equity dictates that all fossil fuels be treated equally under any new federal CCS program. Moreover, it is unwise to exclude natural gas from such programs given that the post-combustion flue gas from a natural gas-fueled generating plant has approximately 50 percent less CO₂ than a coal-fueled plant. Thus, the incremental cost per MW/hour of de-carbonizing the stack will be less than that for coal-fired power. To make post-combustion CCS viable with respect to natural gas-fueled sources, however, equivalent rate payer and federal aid is needed for R&D and commercialization of the relevant CCS technology.

4. Delay Carbon Cap Effective Date for Natural Gas Distribution Companies

What is it? A proposal to push back the date when natural gas distribution companies would come under the bill's carbon cap.

How does it work? Under ACES, natural gas distribution companies are phased in under the bill's carbon cap in 2016. ANGA proposes delaying the carbon cap provisions on such entities until 2020. As compared to their electric competitors, natural gas utilities typically have fewer customers and lower throughput over which to spread costs. This is particularly true of LDCs in southern and southwestern states, which have relatively low heating loads.

If the effective date of the cap is not delayed for natural gas, the cost of allowances will disproportionately disadvantage natural gas utilities as compared to electric utilities. This will have a negative impact on the ability of natural gas utilities to retain and grow low-carbon natural gas end-use applications such as gas furnaces, water heaters, and industrial boilers. Delaying phase-in for natural gas would level the playing field with electric utilities.

C. OTHER CARBON EMISSIONS REDUCTION PROPOSALS/ENERGY MODIFICATIONS

1. “Truth in CO₂ Labeling” for Retail Electricity Deliveries

What is it? ANGA proposes a full-fuel-cycle CO₂ disclosure requirement for electricity supplied by utilities. This “truth in CO₂ labeling” proposal would be analogous to efforts to require DOE’s “Energy Guide” labels on home appliances to reflect a full-fuel-cycle analysis (*i.e.* well to plug). The estimate includes: (1) national average energy consumed at the point of end use; (2) national average energy consumed or lost in the production, generation, transportation, storage, and distribution of energy to the point of end use; and (3) any direct emissions of greenhouse gases from the product during normal use.

How would it work? The disclosure could be made by ratepayer bill inserts. Alternatively, a final bill could prohibit local distribution companies from receiving free emissions allowances unless they disclose the estimated amount of CO₂ per megawatt hour for electricity deliveries, by fuel source, using a full fuel-cycle analysis.

While bill inserts on the lower-carbon profile of natural gas-fueled generation may not spur much fuel shifting at the consumer level, the state-by-state implementation of a new bill insert requirement would provide an exceptional opportunity to address the current and future generation portfolio in each state. In addition, comparative statistics on the carbon burden associated with different utility fuels could, over time, have significant follow-on policy benefits. Beyond that, this proposal would support related appliance (and potentially, building code) full-fuel-cycle labeling and disclosure provisions.

2. Findings and Purposes

What is it? An amendment to the “findings and purposes” section of ACES to make it clear that fulfillment of the purpose of the legislation also requires advancing the production and deployment of domestic low-carbon energy sources, including natural gas.

How does it work? This would alter the bill’s statement of the basic findings and purposes underlying the cap-and-trade program to make clear that the intentions of Congress in passing the legislation include an effort to ensure that production and use of natural gas is increased.

Adoption of this amendment would signal Congressional recognition of the fact that America’s abundant natural gas supply, which emits approximately half the CO₂ of coal per BTU, will play an important role in helping the U.S. curtail global warming and its effects. It would also provide a predicate for Congress to adopt additional provisions in the bill detailing the role that natural gas can play in advancing the bill’s objectives.

3. Preemption

What is it? ANGA believes there should be a single comprehensive Federal GHG cap-and-trade program and Federal GHG registry, thereby preempting state GHG programs and registries.

How does it work? A patchwork of regulations and performance standards by states or regions for the same sources subject to a Federal cap-and-trade program will create unnecessary complications, increase compliance costs and potentially not even result in a net decrease in GHG emissions. State-level GHG programs would probably vary considerably in scope, design and stringency, and would probably also vary from potentially applicable Federal requirements. State-level GHG programs would create a complex and costly compliance challenge for any regulated facility, especially facilities with interstate assets.

State GHG reporting rules should also be preempted. If there is going to be a Federal cap-and-trade program with a GHG Registry, then there should be a single, comprehensive Federal GHG registry to eliminate the unnecessary administrative burden on firms or facilities that operate in multiple states. The myriad mandatory state GHG reporting rules are inconsistent. Differences among state reporting requirements include: (1) the sectors that are required to report; (2) the minimum size of facility for which reporting is required; (3) the specific GHGs that must be reported; and (4) the measurement protocols adopted. Subjecting companies that operate in multiple states to different state reporting requirements imposes unnecessary administrative burdens, increases costs without benefit and can lead to increased compliance risk due to the greater likelihood of errors. If the goal of this entire program is to get accurate and timely data, which is essential for informing climate change policy decisions, then eliminating duplicative and inconsistent reporting to states or other entities is critical to ensuring the best information is available.

4. Conform Global Warming Potentials to Internationally Recognized Standards

What is it? ACES assigns different Global Warming Potential (GWP) values to a list of pollutants to be applied for measurement and program compliance. The GWP for methane under ACES is 25. A lower GWP would reduce the number of facilities under the cap and could lower the cost of abatements the EPA can require in performance standards regulation. The currently applicable domestic and international GWP for methane is 21.

How would it work? ANGA believes the application of currently recognized domestic and international GWP values for methane should be applied. EPA defines the GWP of methane as 21 in its recent Mandatory Reporting Rule proposal and its inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2007. The current United Nations Framework Convention on Climate Change (UNFCCC) standard is also 21. At a minimum, the GWP should remain at 21 until another value is recognized and used domestically and internationally.

Inconsistencies between the reporting and compliance systems will cause confusion and add unnecessary costs in addition to reducing credibility in comparison to other international systems. The GWP factors in ACES should match the EPA standards.

5. Senate Transmission Proposal

What is it? The Senate Energy and Natural Resources Committee's America Clean Energy Leadership Act of 2009 includes a broad and robust Electricity Transmission Title.

How would it work? The Senate Committee's Transmission Title is far stronger than the limited transmission provisions passed by the House in ACES. ANGA supports the Senate Committee's Transmission Title because it will better support the expansion of renewable resources and the natural gas power necessary to back up renewable power.

6. OTC/Hedging Proposal

What is it? Although ANGA supports efforts to increase transparency in trading, it is very concerned with the over-the-counter (OTC) derivatives and hedging provisions included in ACES. Rather than achieving the stated goal of stabilizing energy commodity prices by trying to curb excessive speculation, the ACES provisions that require hedging activities to be conducted directly with the registered exchanges, such as the New York Mercantile Exchange (NYMEX), would impose on energy companies with physical assets unreasonable cash collateral requirements based on the value of hedge positions.

How would it work? ANGA takes the following positions:

- Oppose the elimination of the exemption for energy commodities from the application of the Commodity Exchange Act. This language would prohibit trading of any derivative related to an energy commodity that is not on an exchange.
- Oppose the prohibition on the Commodity Futures Trading Commission (CFTC) from exempting energy derivatives using its own rulemaking authority. This provision would prevent energy commodities from trading anywhere except on exchanges like the NYMEX.
- Ensure that the CFTC could exempt bona fide hedging transactions from position limits and define bona fide hedging transactions in a way that allows the legitimate practice of hedging by oil and natural gas companies to continue.

7. Natural Gas Extraction

What is it? ANGA advocates greater domestic production of natural gas. Measures to expedite access and further encourage development of natural gas resources should be addressed in a final bill.

How does it work? ANGA proposes the following actions:

- Instruct the Department of the Interior (DOI) to move expeditiously to finalize the Draft Proposed Outer Continental Shelf (OCS) Five Year Leasing Program for 2010-2015.

- Instruct DOI to validate leases issued under Lease Sale 208 of the current 2007-2012 OCS Five Year Leasing Program, and quickly set a schedule to resume lease sales under the current program.
- Repeal the existing moratoria for the Destin Dome area and the Eastern Gulf of Mexico beyond 45 miles, and require DOI to hold a lease sale in these areas as soon as possible.
- Amend the Endangered Species Act (ESA) to require the use of the best available, sound, peer-reviewed science, and to establish that the ESA cannot be used as a backdoor vehicle to regulate climate change.
- Oppose the creation of large new bureaucracies within DOI that would slow the leasing process on federal lands and in the OCS.
- Adopt policies that will:
 - Streamline the federal leasing and permitting process;
 - Expedite judicial review of leasing and permitting decisions;
 - Give the U.S. District Court for the District of Columbia jurisdiction over litigation involving leasing or permitting on public lands; and
 - Limit standing in lawsuits related to leasing and permitting decisions to parties directly affected by those decisions.