

August 1, 2007

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

Dear Madame Speaker:

Our associations collectively represent exploration, production, marketing and transportation of natural gas. We have advocated a renewed focus on American natural gas supply development, in order both to mitigate escalating prices and to respond to the nation's continuing demand for natural gas, which will only increase as Congress takes steps to address climate change. With this in mind, we must respectfully oppose HR 3221 and HR 2776. These bills profess a focus on energy independence; yet, their impact on American natural gas production and infrastructure development will make our nation's supply of energy even less secure.

The recently announced "Greening of the Capitol" initiative is an excellent example of the challenge facing our nation over the next several decades. As you know, one of the primary recommendations of the initiative was to convert the Capitol Power Plant to natural gas-only operation, in order to reduce greenhouse gas emissions significantly while maintaining the operational reliability of the facility. These are the same choices faced by electric generators across the United States. Natural gas is simply the most immediate, most reliable option available to reduce power plant emissions, especially during the coming decades as we await the development and commercial deployment of other clean energy technologies. The Congress therefore should avoid actions that will limit new American natural gas supplies and compel greater reliance on imports.

Title VII of HR 3221 would repeal or eviscerate a number of key measures that were enacted in 2005 to facilitate new natural gas supply and infrastructure development. It would impose burdensome requirements, redundant surface owner provisions, and a complex water plan that would be extremely difficult to implement. We have no doubt that the provisions Title VII would move significant and much-needed natural gas supplies out-of-reach and also make it more difficult to build new pipeline infrastructure. Title VII also includes provisions designed to terminate programs that have successfully encouraged the development of America's offshore frontier natural gas resources – a termination that is based on no apparent assessment of what the consequences to U.S. natural gas development would be.

Environmentally responsible natural gas development can play a critical role in meeting the nation's energy security, economic and clean-air goals during the foreseeable future, but only if we can obtain the access and investment levels needed to meet demand. If this is not possible, we will do ourselves harm by continuing to export U.S. manufacturing jobs to countries with more competitive natural gas costs and by restricting the potential to take advantage of an American resource that can both grow the United States economy and shrink our nation's carbon footprint.

HR 2776 – the tax component of the House energy legislation – will directly reduce investment in American natural gas production. While much of the bill addresses the development of new energy production sources and conservation, the revenue raising sections of the bill will reduce capital that would be invested in additional natural gas production. Section 301 of the bill specifically identifies the fundamental problem in its title: *Denial of deduction for income attributable to domestic production of oil, natural gas, or primary products thereof*. Section 301 – the largest source of revenue in the bill – would come **solely from the reduction of investment in oil and natural gas exploration, production and refining in the United States**. The estimated tax hit on U.S. oil and natural gas producers and refiners resulting from Section 301 has increased substantially since this provision was first considered in January

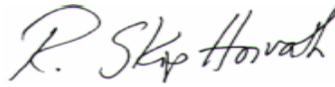
(HR 6). According to the Joint Committee on Taxation, the revenue score has **increased from \$7.6 billion (10 years) to \$11.4 billion (10 years)**.

Despite the efforts of a number of Democratic Members to limit the harmful effects that this legislation will have on American natural gas production, the bills to be debated this week remain an enormous step backwards in terms of energy independence. We urge you to reconsider the elements of this legislation that will make the nation less secure by discouraging new American energy supply, and pledge to work with you on legislation that more appropriately balances the environment and America's future energy needs.

Respectfully,



Barry Russell
President, IPAA



Skip Horvath
President, NGSA



Don Santa
President, INGAA