

AMENDMENT # 1



Lee Gara  
Beta Gardner

TO: CSHJR 45(FIN)

Kenneth

OFFERED BY:

Wood Foster  
Harry Crawford  
Pete Peterson

INSERT: Page 3, line 12 insert a new section to read:

"Whereas there may be proposals to amend the pending legislation that would expand the demand for Alaska natural gas, and that would benefit Alaska; and"

Lisa

Northrup

McBoyer

James

Beth Kerttula

James

The Journal Record

<http://journalrecord.com>

## Will natural gas win or lose under cap and trade?

by miles.tolbert

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As world leaders prepare to meet in Copenhagen to try to reach some form of agreement on global climate policies, many of us are left wondering just what all this could mean for Oklahoma.

Oklahoma has a growing wind industry and a strong oil base. Most analysts assume that carbon regulation would be good for the former and not so good for the latter. But given that it is natural gas that been the great driver in the state's energy picture for the last few years, the most important question for Oklahoma may well be how carbon regulation affects this critical resource.

The International Energy Agency (IEA) recently outlined what they believe global energy production would look like if ambitious climate change policies were enacted. The Wall Street Journal's Environmental Capital blog says it best: "The IEA's vision of the next two decades would make T. Boone Pickens crow: Wind power and natural gas are the two big winners under the IEA's climate-change scenario."

The IEA projects a slow development of technology that would allow conventional power plants to capture and store carbon emissions. Because natural gas has roughly half the carbon emissions as industry rival coal, a lack of carbon capture and sequestration technology favors the use of natural gas-fired plants. Another important aspect of the IEA projection is the relatively modest impact of nuclear power, which has very few emissions and is subject to varying levels of promotion in current U.S. legislative proposals.

Counter to the IEA is the U.S. Energy Information Administration (EIA) analysis of the American Clean Energy and Security Act of 2009, which was passed by the House in June. The EIA considered six different scenarios of what the future of American energy production could look like under the Act's cap-and-trade scheme. In five of the six scenarios, the demand for and the price of natural gas actually falls as a result of the legislation. In the sixth scenario however, the profitability of natural gas rises.

So, accordingly to the EIA, what would it take to make cap-and-trade good news for natural gas rather than bad news? Two things.

First, a lack of commercially usable carbon-neutral technology for coal-fired electrical generation. Whether such technology can be expected to be developed relatively soon and relatively affordably is the subject of much debate. The IEA believes neither is likely and that is why they are so bullish on natural gas. The EIA is not so certain.

The second driver of natural gas demand, in the EIA's view, would be the disallowance or severe restriction of the use of international carbon offsets. Business interests generally push for the use of offsets to help contain the costs of regulatory compliance while environmental groups often question whether such offsets represent actual emissions reductions. In their view, international offsets may do little other than transfer American wealth to projects in competing sectors in places like India and China.

For Oklahomans interested in the future of natural gas, this leaves us with three questions:

Is the IEA's technological assessment accurate?

