

Global Climate Change: Concerns and Impacts

The issues surrounding global climate change policy are serious and must be addressed. An improper or hasty resolution of this debate could have extreme implications for America's oil and natural gas producers and for the entire nation. The Independent Petroleum Association of America (IPAA) believes that science must serve as the foundation for global climate policymaking; economic and social impacts must be addressed; and, the role of American oil and natural gas production must be recognized in any policy actions.

A number of key issues must be addressed as global climate policy actions are developed. First, energy is essential to a strong economy. The United States consumes about 23 percent of the world's energy, but it also produces about 22 percent of the world's gross domestic product. The reality that this link exists must be reflected in any policy actions.

Second, global action is necessary. A key flaw in the Kyoto Protocol was the absence of nations that represented substantial current – and projected future – emissions of greenhouse gases (GHG). The United States economy, the United States worker should not be expected to absorb the economic consequences of emissions regulations merely to see other countries benefit at America's expense. It would be unreasonable to require Americans to sacrifice without an expectation that at least the 15 largest GHG emitting countries are all participating in an international effort.

Third, global climate initiatives and America's energy security are inextricably linked. Oil and natural gas supply about 65 percent of America's energy and will continue to be a major contributor for the foreseeable future. Over 60 percent of oil and an increasing percentage of natural gas are imported. Many foreign oil producing countries – Venezuela, Iran, Iraq – raise questions about the certainty of future supply into the global, if not US, market. Russia and Qatar have raised questions about forming an OPEC-like organization for natural gas. No global climate program should result in disincentives – or worse, constraints – on American oil and natural gas production that would have the effect of increasing our foreign dependence. American production should not be pitted against unfettered production in other countries. For example, if an international program included the top 15 GHG emitting countries, only one OPEC country (Indonesia) would be included. In particular, America's marginal oil wells are the most economically sensitive to increased costs. Over 80 percent of America's oil wells are marginal wells – producing less than 15 barrels per day. Yet, these wells produce 75 percent of the amount of crude oil that is imported from Venezuela. Marginal wells are unique to the United States; other countries shut down these small operations. Once shut down, they will never be opened again – it is too costly.

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Fourth, climate change proposals inevitably compel greater demand for natural gas. No climate change approach should be adopted unless it includes mechanisms to assure access to American natural gas. Natural gas has been the fuel of choice for new electricity generation. It is essential for the production of biofuels both as a fuel and a component of fertilizers. It is the feedstock or the process heating source for the manufacture of energy conservation materials, energy efficient products and alternative energy technologies. Abundant natural gas supplies underlie America's land. But, today, much of it is off limits in America's offshore or severely limited in America's intermountain west. The federal regulatory and permitting system must be structured to assure that any commitment to a climate change initiative is feasible.

Fifth, no climate change policy action should discard the question of science. Too often, recent arguments for action discard the uncertainties of today's understanding of global climate science. Global climate science is an emerging field, one that changes as the tools to model it improve. There needs to be a continuing commitment to improve the capabilities of this science and to use it in developing policy.

Recommendations:

1. The President should be authorized to initiate negotiations with an international group of GHG emitting countries if the Council on Environmental Quality with the concurrence of the Administrator of the Environmental Protection Agency and the Secretary of Commerce determines that the scientific information on global climate justifies international actions to mitigate GHG emissions.
2. The President shall submit to the Senate an international agreement for its approval if –
 - a. The agreement includes at least the 15 largest GHG emitting countries with a structure that allows for the verification of reduction strategies by each country;
 - b. The Secretary of Energy certifies that an action plan for the United States would not adversely affect American oil and natural gas production while benefiting foreign oil and natural gas production: and,
 - c. The President simultaneously submits an action plan, including proposed legislation, to assure that American natural gas can be accessed to meet the increased natural gas demand required by the negotiated agreement.

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