

## Global Climate Change: Concerns and Impacts

Serious issues surround global climate change policy. 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 considered; and, the role of American oil and natural gas production must be recognized and addressed in any policy actions.

First, a strong economy hinges on energy. 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 must be taken. The absence of nations representing substantial current – and projected future – emissions of greenhouse gases (GHG) created a critical flaw in the Kyoto Protocol. 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. Americans should not be compelled to sacrifice without an expectation that at least the 15 largest GHG emitting countries are all participating in an international effort.

Third, 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. Climate change proposals inevitably compel greater natural gas demand. Many analyses of current cap-and-trade bills generate unrealistic expansions of nuclear power to meet GHG reduction goals. More realistic assessments show that natural gas demand could increase by 20 to 40 percent or more. No climate change approach should be adopted unless it includes mechanisms to assure American natural gas can be produced. Approximately 800,000 oil and natural gas wells operate in the United States; yet, collectively, they account for less than one percent of U.S. GHG emissions.<sup>1</sup> Cap-and-trade legislation should not target these operations that are essential to meet future energy needs. Moreover, the "point of regulation" for natural gas should impact large GHG emissions sources assuring that natural gas production would not be impaired. Additionally, new American production should be encouraged. Abundant natural gas supplies underlie America's land. But, today, much of it is off

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<sup>1</sup> INVENTORY OF U.S. GREENHOUSE GAS EMISSIONS AND SINKS: 1990-2006 (April 2008)

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.

Fourth, 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. The U.S. imports over 60 percent of its oil and an increasing percentage of natural gas. Many foreign oil producing countries – Venezuela, Iran, Iraq – raise questions about the certainty of future supply into the global – if not U.S. – 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 effectively 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. Once shut down, they will never be opened again – it is too costly.

Fifth, because global climate is an international issue, a single federal regime should be structured. If Congress passes a cap-and-trade approach to reduce GHG emissions, it will impose significant demands and costs on the national economy. Consequently, it needs to be the only program addressing the GHG issue.

Sixth, 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. Any cap-and-trade legislation developed by the Congress should not impose a point of regulation regarding natural gas or oil that diminishes the ability to produce American natural gas or oil.
2. Any federal law developed by Congress to address global climate should be the sole U.S. law addressing GHG management policy.
3. In the development of global climate legislation, Congress needs to address enhancing development of American oil and natural gas resources.
4. Any federal global climate law needs to recognize that its success hinges on a realistic assessment of America's energy supply and on the involvement of the major GHG emitting nations.