

# 1. Summary

On June 6, 1975, the Federal Power Commission reported that over 18 percent, 1.3 trillion cubic feet, of the country's firm, interstate pipeline natural gas requirements will be curtailed during the winter period of November 1, 1975, to March 31, 1976. The size of this curtailment, a 35 percent increase over last winter, raises the serious possibility that there will be insufficient natural gas to fuel the Nation's economy this winter, and that these shortages could extend into the residential sector for the first time.

The situation is potentially very critical. If the winter is not more than 5 percent colder than normal, if the economy does not recover faster than projected, if natural gas supplies do not deteriorate any further this winter, and if the presently expected supplies of alternate fuels and gas supplements remain available, the natural gas shortage this coming winter, averaged over the country, may not constrain the Nation's economy. This set of conditions is very fragile, however, and dependence on them, alone, without new Federal action, carries substantial risk this winter of increased unemployment and economic impacts. A lack of action can have even greater consequences in the winter of 1976-77 with the continued decline anticipated from present production of existing gas supplies and continued recovery of the economy from the recession levels of 1974-75.

## THE SITUATION THIS WINTER

- . If the conditions described in the above paragraph hold, the incremental supply-demand deficiency of natural gas this winter will be about 300 billion cubic feet, most of which will be absorbed by the industrial and electric utility sectors.
- This volume is about 10 percent of this winter's estimated real demand by these consumers of natural gas in the interstate market. Taking account of past curtailments, 10 percent is probably as much as most of these curtailed users can absorb

this winter, through 'self-help' measures (alternate and supplemental fuels, stored gas, conservation) and regional shifts in production, and still meet their projected demands for manufactured goods.

- . Even in this case, there will be many instances of severe dislocations in certain parts of the country (Mid and South Atlantic and East North Central) due to the non-uniformity of the gas shortages. The lost production of goods in these regions would have to be made up in other parts of the country, if impact on the national economy is to be minimized.
- . In addition, in most of the country, nearly all interruptible customers will be denied natural gas for the entire winter.

## MAJOR IMPACTS OF THIS WINTER'S GAS SHORTAGE

- It is estimated that unemployment in hard hit regions could range as high as 100,000 people over periods ranging from 20 to 90 days,
- The demand for alternate fuels—No. 2 and No. 6 fuel oil, propane, and synthetic natural gas feedstocks (naphtha)—will increase imports and, therefore, be counter to the Nation's goal of greater energy independence.
- Solutions to the natural gas shortage are difficult to separate from solutions for the Nation's total energy problems.
- . The unavailability of natural gas for a critical process use or feedstock, even if a relatively small volume, can shut down an entire plant.
- Regional shortages can have nationwide consequences if a manufacturer cannot get natural gas for a key product needed by a major portion of an industry and alternate fuels either cannot be used or are not available.

- Fuel costs for curtailed customers who must use supplemental and/or alternate fuels (fuel oil, propane, synthetic natural gas from naphtha, liquefied natural gas) will increase about \$1.5 billion for this year over last.
- Distribution and storage problems can prevent these customers from obtaining a steady supply of alternate fuels even though the fuels, themselves, may be available.
- Environmental effects will not be significant on the average, but in some regions the conversion to fuel oil or coal could have substantial detrimental effects on local air quality.
- As demand increases because of economic recovery, and existing natural gas supplies continue to decline, it is very probable that

in the winter of 1976-77, there will be significant economic disruption and, in some instances, insufficient gas to meet all firm commercial and residential demands even under normal weather conditions.

- Any measures to supplement natural gas for this winter (1975-76), from gas in inventory, such as drawing down on reserve storage in greater volumes than presently anticipated will increase the problem beginning in the summer of 1976.

These above points focus on the immediate problem. However, there are several issues which, although they are not directly related to the impacts this coming winter, are, nevertheless, very important and are intimately connected with the entire natural gas problem. These issues cannot be ignored in dealing with the problem, even in the short-term, and are expressed in this report.