

IV. Issues Related to the Natural Gas Problem

This section presents several issues which the review panel felt should be addressed in any attempt to deal with the natural gas problem. The limited scope of the study as requested by the Committee did not permit a detailed analysis of these issues. Nevertheless, they should be considered in resolving the issues related to future U.S. gas supply and demand problems.

In this list, we have not included those issues which are presently under widespread discussion, such as changes in the Natural Gas Act and possible irregularities in natural gas production. The review panel indicated that these items belong in any list of issues relevant to the natural gas question, however, we have given here those panel choices which may not have been considered in debate in Congress.

ISSUE 1

An examination of the worst-case situation, that could result from natural gas curtailments in the future, could define the limits of the potential problems.

Summary

This report deals with the most probable impacts this winter as determined from the data. However, as expressed in the report, this is a highly fragile situation and more severe impacts could occur. In addition, it is likely that in succeeding years the worst case for the 1975-76 winter may be the most probable case for those winters. Under these circumstances it would be useful to estimate what the 'worst-case' situation would be and what contingency plans for such cases exist on the part of the consumers, the gas utilities, and the relevant State and local agencies.

ISSUE 2

Public perception of the energy problem appears to be a barrier in developing lasting solutions.

Summary

A large portion of the public believes that there is no real energy problem. This is heightened by the many symbols of apparently wasteful natural gas consumption such as ornamental gas lighting. Programs to eliminate these symbols and intensify Federal efforts such as requirements on Federal contractors to reduce energy waste could be significant in awakening public perception of the problem.

ISSUE 3

The potential for State and local action in managing the natural gas shortage is often not fully considered.

Summary

If adequate consideration is not given to State and local actions and mechanisms for dealing with the gas shortage, there is the distinct possibility that Federal options will be developed which reduce the flexibility of the Nation to deal with the problem. To this end there appears to be inadequate communication between States themselves on the natural gas problem and attempts to manage it. In all the options considered in chapter V there is the potential for a large State role in determining the ways in which that option can most effectively be applied to the unique problems of the individual States. It appears that in the past the State role has been crucial to reducing the impact of gas and oil shortages.

ISSUE 4

Have contingency plans been sought with Canada and/or Mexico as a means for dealing with emergencies?

Summary

Presently the United States imports about 0.95 trillion cubic feet per year from Canada

which is used mostly in the Northern States.² These imports are expected to be phased out over the next few years. Presently no gas is imported from Mexico. However, both countries have the potential for delivery to the United States, and the possibility that emergency deliveries could be made may be worth exploring.

ISSUE 5

The long-term impacts of the immediate gas shortage and private and public responses to it will greatly affect the Nation's economic stability over the next several years.

Summary

This report has attempted to point out some of these impacts, particularly with regard to the increased use of imported fuel (oil and propane) as natural gas supplies continue to decline. There is a wide range of long-term impacts, including increased energy costs, environmental effects, transfer of manufacturing facilities, etc., which could not be adequately discussed due to the limited scope of this study. Consideration of these impacts to the extent possible is desirable

in order to formulate policies which minimize adverse effects.

ISSUE 6

The research and development activities of the natural gas industry, particularly in increasing end-use efficiency, are at significantly lower levels than other energy sectors.

Summary

The natural gas industry appears to be lagging in efforts to set up a strong energy research program when compared to the electric power industry. Research and development expenditures on the part of the interstate pipeline companies and encouraged by the FPC are allowed as costs to be included in their rates. Yet, in 1973, R&D expenditures on the part of the interstate pipelines amounted to only 0.55 percent of their total revenues and only a small fraction of this (probably less than .03 percent of the total) was for end-use conservation programs. z" Finally, the gas industry has not yet established a research organization similar to the Electric Power Research Institute. The gas industry should be an important element in the Nation's total energy R&D structure.