

U.S. MUST TAKE BROADER APPROACH TO STABILIZE ENERGY SUPPLY

Excerpted from METHANE MADNESS: A Natural Gas Primer, by Randy Udall (Colorado's Community Office for Resource Efficiency) and Steve Andrews (a Denver energy analyst)

In 2000 the wellhead price of natural gas skyrocketed 400%. This was the sharpest energy price increase the nation had ever seen, outdoing even the oil spikes of the 1970s. So what comes next? The stakes are high: 70% of new homes are heated with natural gas, and the nation's electric utilities have wagered \$100 billion that it is the 'fuel of the new millennium.'

The nation has 320,000 gas wells. Per capita, we use about a Dumpster's worth of gas each day. Each year, 280 million Americans use as much natural gas as 3 billion people in Europe and Asia. By some estimates, almost half the gas that will ever be produced in this country has already been burned. Easy come, easy go. Half gone, half left. Much of the 'gone' was cheap and easy to produce. Much of what's left will be relatively more expensive and difficult to extract. The Big Easy is over.

Matt Simmons, an investment banker who writes World Oil magazine's annual review of petroleum developments, noted, "The world has not run out of oil and North America has not run out of natural gas. What we are short of is anyway to grow our energy supply. North America has no excess natural gas capacity. A massive number of gas-fired power plants have been ordered. But the gas to run them is simply not there."

The nation's long-standing glut of natural gas and electrical capacity, along with the world's spare oil capacity, vanished simultaneously in spring 2000. Prosperity and the Internet are partly responsible. Fueled by cheap energy, the U.S. economy grew 60% since 1986. Gas consumption grew 36% over that period. Utilities have ordered 180,000 MW of gas-fired power plants to be installed by 2005. It was a logical thing to do: gas is the cheapest, cleanest way to convert fossil fuel to electricity. But if ordering one gas turbine makes perfect sense, ordering 1,000 is a recipe for disaster. No one in the utility industry asked the key question: can we produce enough gas to run all those plants? Many experts think the answer is no.

If it turns out that we can't find sufficient gas to run hundreds of new power plants, then what? Pick from this list: build new coal or nuclear plants; get serious about renewables, particularly wind power, now cheaper than gas; or invest real money in energy efficiency. Coal is our most abundant fossil fuel, but it also carries the specter of climate change; no nuclear plants have been ordered in 22 years; renewables are increasingly cost-effective but intermittent; efficiency is a proven winner, but it's not a 'free lunch.' All solutions require time and capital.

President Bush has been dealt a tough hand. Indeed, he has inherited the most severe and complicated energy challenge the nation has ever faced. But if events have conspired against Bush, they have also created an historic opening. The former oilman has a tremendous opportunity, perhaps even an obligation, to do what no President has ever done: level with the American people about our energy challenge and our efficiency opportunities.

The full Natural Gas Primer was published by the Community Office for Resource Efficiency (CORE). To view it, visit CORE's Web site, www.altenergy.org/core, or request a hard copy at core@aspeninfo.com.