



IPAMS
410 17th Street, Ste. 700
Denver, CO 80202

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Contact: Jason Lindaman
Communications Specialist
303.623.0987
jlindaman@ipams.org

Independent Study Finds U.S. Senate Climate Bill Would Harm American Consumers
Bill Would Cause Significant Natural Gas Shortages and Near-Term Price Increases

DENVER - Independent Petroleum Association of Mountain States (IPAMS) announced today that a new independent study shows climate legislation under consideration by the U.S. Senate could be detrimental to natural gas supplies and cause significant price increases for American consumers.

“The Climate Security Act of 2007 would place an unbearable financial burden on natural gas producers making it uneconomical to drill new natural gas wells,” said Marc Smith, executive director of IPAMS. “If we stop or even slow down natural gas drilling we will see an immediate decline in supplies and a sharp spike in prices.”

Drilling new natural gas wells is critical to maintaining supply. According to Cambridge Energy Research Associates, approximately 50% of the natural gas Americans use today comes from wells that were drilled in the last three-and-a-half years. Natural gas drilling in the Intermountain West will need to increase by nearly 75% over the next 10 years to sustain current production levels. International energy research and consulting firm Wood Mackenzie states in the study that the pending legislation that would require natural gas processors to purchase “cap and trade” program emission allowances for ultimate end-users of natural gas would pose potential risks to the economic development of U.S. natural gas resources.

Wood Mackenzie found that as much as 32% of expected natural gas supply in the year 2012, rising to more than 45% in 2017, would be put at risk if natural gas exploration and production companies are forced to bear the emission allowance costs of those ultimately burning the gas. The study also found that if consumers are accountable for 50% of the costs associated with “cap and trade” program emission allowances there would be less natural gas supply available at a time when the country will need it. Wood Mackenzie warns of “...sharply higher prices in response to any threat to U.S. natural gas supplies.” The analysis by Wood Mackenzie was contracted by the American Exploration and Production Council (AXPC), which represents 25 of the largest



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independent U.S. exploration and production companies developing natural gas supplies throughout North America.

“The findings of Wood Mackenzie validate our belief that a “cap and trade” emission allowances program would severely disrupt the sophisticated and reliable natural gas market; ultimately hurting American consumers,” added Smith. “Companies reinvest cash flow to grow reserves and increase production. It is inconceivable that policymakers would enact climate legislation that could result in the predictions cited in this report.”

The complete Wood Mackenzie report is available at
ipams.org/wordpress/wp-content/uploads/wmreport.pdf

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About IPAMS

Independent Petroleum Association of Mountain States (IPAMS), founded in 1974, is a non-profit trade association representing more than 400 independent oil and natural gas producers, service and supply companies, banking and financial institutions and industry consultants committed to environmentally responsible oil and natural gas development in the Intermountain West. To learn more about IPAMS and its members visit ipams.org.