

Brownstein | Hyatt  
Farber | Schreck

A Member of



# Supporting Natural Gas and Oil R&D

## *The Energy Research Coalition*

Presented by  
Kyle Simpson  
February 19, 2008

## A Few Facts

- In 2006, 6.25 Tcf of gas was used in power generation or CHP (EIA)
- Natural gas generation grew 7.3% from 2005 to 2006 (EIA)
- Power generation capacity factors
  - Nuclear 89.6%
  - Coal 72.6%
  - Natural Gas 38.2%

## What If and What to Expect

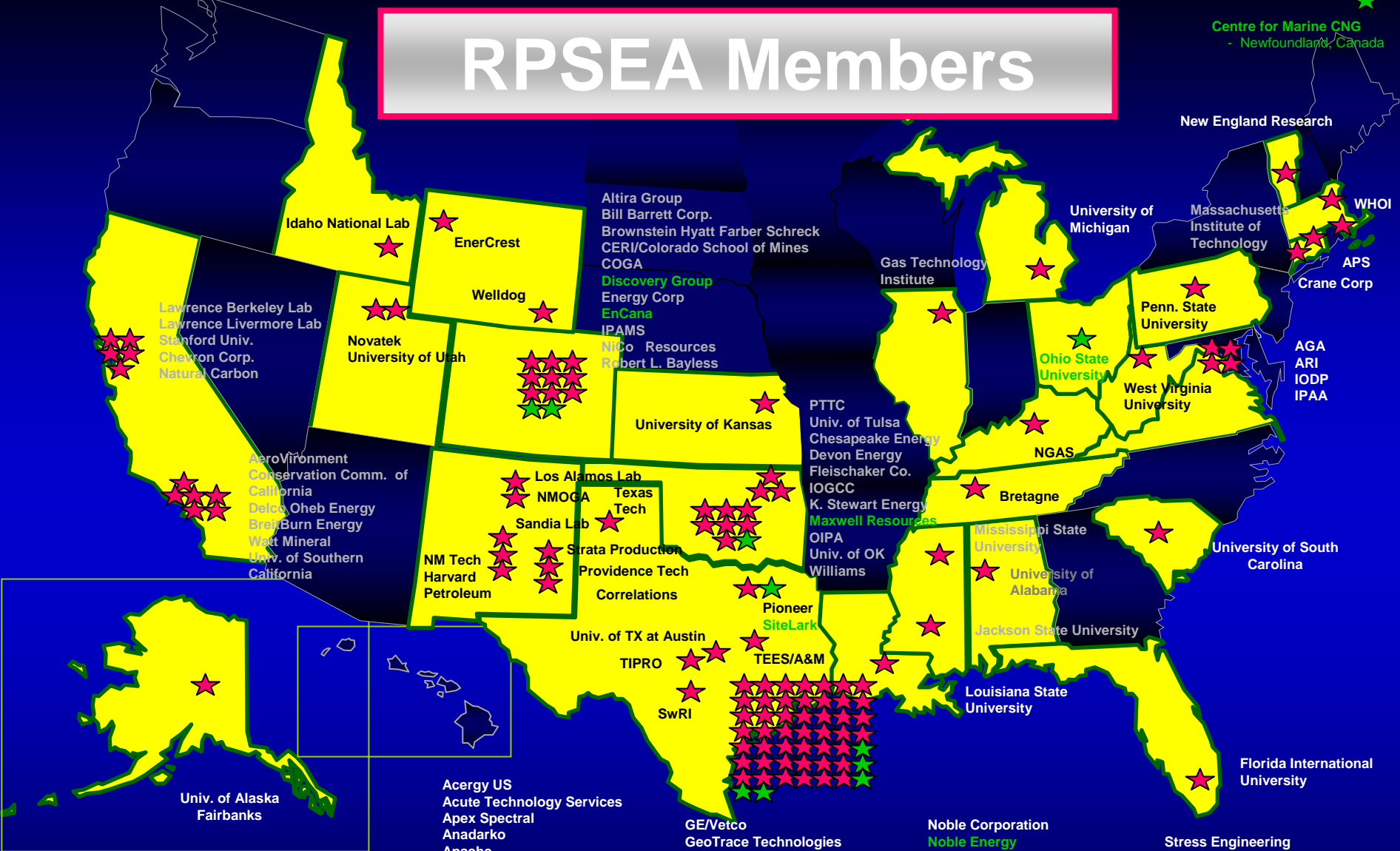
- If gas plants were operated at the same capacity factor as nuclear plants, gas demand would increase by 8.367 Tcf (Exponent using EIA)
- Most generation capacity additions over the next 10 years will be natural gas (EIA)
- RPSEA's role will become more important
- Transitioning our federal advocacy

## More than the Sum of Our Parts


- Over 130 Active and Pending Members
- 26 States, the District of Columbia and Canada
- 89 Proposals Received to Date
  - 17 Small Producer
  - 50 Unconventional Onshore
  - 22 Ultra Deepwater
- 5 Ultra Deepwater RFPs Outstanding

# RPSEA Members

Centre for Marine CNG  
- Newfoundland, Canada



Current Members 

Pending Members 

- Acergy US
- Acute Technology Services
- Apex Spectral
- Anadarko
- Apache
- B P America
- Baker Hughes
- BJ Services
- Cameron/Curtiss-Wright EMD
- Carbo Ceramics
- City of Sugar Land
- ConocoPhillips
- CSI Technologies
- Det Norske Veritas (USA)
- Energy Valley

- GE/Vetco
- GeoTrace Technologies
- Greater Fort Bend Cnty EDC
- Groundwater Services
- Halliburton
- HARC
- Houston Offshore Engineering
- Houston Technology Center
- Knowledge Reservoir
- Marathon
- Merrick Systems
- Nalco
- Nautilus International

- Noble Corporation
- Noble Energy
- Oilfield Technology Needs
- Oxane Materials
- Quanelle
- Petris Technology
- Rice University
- Rock Solid Images
- RTI Energy Systems
- Schlumberger
- Shell Exploration & Production
- Simmons and Co.
- StatoilHydro

- Stress Engineering
- Technip
- Technology Intl.
- Tejas Research
- Tenaris
- Texas Energy Center
- Total USA
- University of Houston
- VersaMarine Engineering
- Weatherford



## Energy Research Coalition

- Formed in 2007 to support federal funding for natural gas and petroleum R&D
- Supported distribution of \$50 million in FY07 for RPSEA through DOE
- Supported full funding for Sec. 999 for FY08
- Supporting additional \$50 million for Sec. 999 in FY08 and FY09

## Energy Research Coalition Members

- Chesapeake Energy
- Devon Energy
- Gas Technology Institute
- GE Infrastructure, Oil and Gas
- Strata Production Company
- Brownstein Hyatt Farber Schreck
- More to come

## Energy Research Coalition Leadership

- Kyle Simpson, Policy Director, BHFS
  - Executive Director
- Melanie Kenderdine, RPSEA Board Member
  - Policy Director
- Joe Hezir, EOP Group
  - Budget Policy Advisor

## Energy Research Coalition Leadership

- Executive Committee
  - Chesapeake Energy, Founding Member
  - Gas Technology Institute, Founding Member
  - Mark Murphy, President, Strata Production Company
  - Kyle Simpson, Executive Director
  - Melanie Kenderdine, Policy Director
  - Others - TBD

## Energy Research Coalition Leadership

- Advisory Committee
  - Chesapeake Energy
  - Devon Energy
  - Gas Technology Institute
  - GE Infrastructure, Oil and Gas
  - Strata Production Company
  - Brownstein Hyatt Farber Schreck
  - Others to include all Founding, Charter and Supporting Members along with five Sustaining Members and Associate Members by invitation of the Executive Committee

## Energy Research Coalition Federal Activities

- FY 2008 Funding for Section 999
- FY 2009 Funding for Section 999
- Legislation
- Administration Actions
- Changing the Policy Landscape

## FY 2008 Funding Status

- \$50 million in directed spending was expected for Sec. 999
  - RPSEA would receive \$37.5 million
- FY08 House Interior Approps bill blocked \$50 million
- FY08 Senate Energy Approps bill redirected \$25 million
- Final Omnibus Approps bill restored all funding – we won!
- \$50 million has been sent to DOE
  - Balance of \$37.5 million awaiting transfer to RPSEA

## President's FY09 Budget

- Proposed \$0 for Sec. 999 funding
- Appendix included the following language:  
*"The Energy Policy Act of 2005 (Public Law 109–58) created a mandatory Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research program beginning in 2007. The program is funded from Federal revenues from oil and gas leases. This Budget proposes to cancel the program through a legislative proposal."*
- Write to your Members and Senators opposing any legislative or administrative effort to zero out funding for Sec. 999

## FY 2009 Status

- \$50 million in directed spending is expected for Sec. 999
  - RPSEA would receive \$37.5 million
- Rep. Chet Edwards (D-TX) requesting an additional \$50 million in appropriations for Sec. 999
  - RPSEA would receive \$75 million total if appropriations is added to the directed spending
- Written requests for these appropriations will be helpful

## H.R. 5146, the “Invest in Energy Security Act”

- Introduced Jan. 28 by Reps. Nick Lampson (D-TX) and Chet Edwards (D-TX)
- Suspends use of RIK oil for filling the SPR
- Directs the sale of 13 million barrels of RIK oil
- Establishes an “Energy Independence and Security Fund” for energy R&D in FY08
- Write to the House Committees on Energy & Commerce and Science encouraging the use of these funds for energy R&D

## Energy Independence and Security Funding for Authorized Programs, HR 5146

- ***\$50MM for Sec. 999***
- \$100MM for ARPA-E
- \$15MM for Rural Wind
- \$30MM for Solar Energy
- \$100MM for Low Income Weatherization
- \$30MM for Marine and Hydrokinetic Energy
- \$110MM for Industrial Energy Efficiency
- \$70MM for Building Energy Efficiency
- \$30MM for Energy Storage for Transportation & Electric Power
- \$60MM for Geothermal Energy
- \$385MM for Carbon Capture & Storage
- \$15MM for Natural Gas & Petroleum R&D at DOE
- \$5MM for Hydrogen R&D

## S. 2598, the “Strategic Petroleum Reserve Fill Suspension and Consumer Protection Act”

- Introduced by Sen. Byron Dorgan (D-ND) with Jeff Bingaman (D-NM), Ron Wyden (D-OR), Susan Collins (R-ME), John Kerry (D-MA), Carl Levin (D-MI) & Joe Lieberman (I-CT)
- Suspends the fill of the SPR for 1 year
- Filling can resume if oil drops to \$50 per barrel
- Resulting funds are unobligated
- Write to Senate Energy & Natural Resource Cte. and Energy and Water Appropriations Subcte. encouraging the use of these funds for energy R&D

## Senate Energy & Natural Resources Cte. Hearing

- February 26
- U.S. Oil Inventory Policies and the SPR
- Dorgan Bill, S. 2598

## Key Committees to Contact

- Senate Appropriations Subcte. on Energy & Water Development
  - 202-224-8119
- Senate Energy & Natural Resources Cte.
  - 202-224-4971
- House Appropriations Subcte. on Energy & Water Development
  - 202-225-3421
- House Energy & Commerce Cte.
  - 202-225-2927
- House Science & Technology Cte.
  - 202-225-6375

## President's FY09 Budget

- Zeros out oil and gas research and development in the Office of Fossil Energy
- Doubles capacity of the Strategic Petroleum Reserve by expanding it to 1.5 billion barrels—first filling the reserve to its existing capacity and then expanding capacity at existing and new sites.

## Other Legislation to Watch

- Stimulus II
  - Vehicle for H.R. 5146 and S. 2598
- Climate Change
  - Role for natural gas
  - CO2 EOR as a carbon sequestration technology
  - Tax credit for anthropogenic CO2 used in EOR

## The Changing Policy Landscape

- SEC reserves reporting inquiry
- Potential Gas Committee report, 1500+ Tcf
- Cancellation of proposed coal-fired power plants
- “Carbon principles” announced by banks
- Cancellation of FutureGen
- Eight straight years of natural gas reserves additions
- Gas powered generation continues to lead in growth – 19% today, 22% in ten years (NERC)
- Increased attention on natural gas and CO2 EOR