



AMERICAN PETROLEUM INSTITUTE
Ohio

Ohio House Public Utilities Committee
The Honorable William Seitz, Chairman

Testimony In Support Of
House Bill 114

Presented By:
Chris Zeigler, Executive Director
American Petroleum Institute Ohio
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Chairman Seitz, Vice Chairman Carfagna, Ranking Member Ashford and distinguished members of the committee:

My name is Chris Zeigler and I am Executive Director of American Petroleum Institute (API) - Ohio. Thank you for the opportunity to speak to you today in support of HB 114.

The API is the only national trade association representing all facets of the oil and natural gas industry, which supports 9.8 million U.S. jobs and 8 percent of the U.S. economy. The API's more than 625 corporate members include major oil companies to the smallest of independent organizations. They are producers, refiners, suppliers, marketers, pipeline operators, and marine transporters, as well as service and supply companies that support all segments of the industry. They provide most of the nation's energy and are backed by a growing grassroots movement of more than 30 million Americans. In Ohio, API member operations and investments have added billions of dollars in economic value throughout our state and the larger Appalachian region, and represent leaders in the development of the Utica/Point Pleasant shale play.

As you consider Ohio's renewable and energy efficiency mandates, we respectfully ask that you take note of the connection between natural gas production, low prices, economic benefits, and emissions reductions. Market-driven use of clean, affordable and reliable natural gas produced right here in Ohio will significantly reduce power generation emissions at a lower cost than mandates for renewable energy or energy efficiency, and competitive market structures will dictate energy efficiency decisions.

Modeling conducted for API by ICF International, projected that by the year 2030, CO2 emissions from U.S. power generation will be 30 percent lower than in 2005, if market forces are allowed to determine our generation portfolio. That's because natural gas-fired power plants produce less than half as much

CO2 as coal plants. As older coal plants retire and new natural gas plants come online, emissions will automatically decrease, without costly mandates.

Thanks to technological innovation in the oil and natural gas industry, we have been able to unlock the potential of our nation's great abundance of natural gas, at affordable prices, making generation at gas-fired power plants the most cost-effective way to reduce CO2 emissions. In addition, gas-fired plants are cheaper to build and maintain than wind, solar and nuclear generation.

We are already seeing the environmental benefits of natural gas-fired power plants. Last year, natural gas surpassed coal in becoming the nation's leading power generation fuel source.

The U.S. Energy Administration (EIA), the statistical and analytical agency in the Department of Energy, and other independent sources project natural gas prices will remain low and stable for many years. According to EIA, natural gas benchmark prices are currently about \$3 per MMBtu and are forecast to remain near or below \$5 per MMBtu through 2040. Looking at EIA's projections, we have enough reliable, low-cost natural gas to meet demand for generations to come.

As a result of continual improvements in exploration and production, the amount of technologically recoverable natural gas reserves grows each year, allowing the industry to produce more natural gas with fewer rigs. In 2015, on average, the industry operated just 200 rigs nationwide to produce nearly 75 billion cubic feet (Bcf) per day. That's a great improvement compared with 2010, when over 900 rigs produced only 58 Bcf per day.

Ohio's annual natural gas production increased nearly ten-fold between 2013 and today. EIA's most recent Utica production report estimates that Ohio will produce 4.2 Bcf per day of natural gas this month, compared to only 0.4 Bcf per day in 2013.

Using more natural gas will also help create jobs and grow our economy. Ohio is fortunate to have enormous natural gas shale deposits. As more natural gas is used to produce electricity, demand for the resource will increase, providing a sustainable boost to Ohio's economy.

Based on a 2012 study, by the respected research firm ICF, for every additional billion cubic feet per day of natural gas produced, approximately 13,000 upstream and midstream direct and indirect jobs are created. When the economic benefits of the end-use of that same natural gas are included, another 2,000 to 8,000 direct and indirect jobs are created. And when induced job impacts are included, between 25,000 and 65,000 jobs are supported. The metrics from ICF's study are in line with the latest *Ohio Department of Jobs and Family Services Quarterly Shale Report*, that shows employment in core and ancillary shale-related industries account for over 192,000 Ohio jobs and nearly 14,000 shale-related business establishments spread across the state.

New natural gas-fired power plants are the best way for Ohioans to take advantage of resources right here in our own state. Over 9,000 megawatts of new, clean-burning natural gas-fired power plants are

in various stages of development in Ohio. That's enough electricity to power over 9 million homes, with reduced emissions and potentially lower costs for consumers. Two new gas-fired plants are scheduled to open later this year, and by early 2021, as many as ten new plants could be operational.

For those customers who still prefer to maximize renewable energy sources, our state already has optional green energy pricing programs in which they can participate through their electric supplier. Green pricing programs in Ohio offer customers the opportunity to support alternative energy sources by paying a premium in addition to their regular utility bill, a market based approach to supporting renewable energy without burdening all customers with the additional cost of mandates. Through these programs Ohio consumers can directly decide how much renewable energy is right for our state.

Another factor to consider is that energy savings measures resulting from the shale gas revolution were not factored into the decision-making process when Ohio's mandates were developed. The situation is much different now.

Ohio companies are implementing energy efficiency measures, not because they are mandated, but because they make good business sense. The competitive marketplace compels companies to keep energy costs down on a continual basis. Each company knows how to best reduce its costs and implement energy efficiency programs that are most advantageous for them. Mandating certain measures over others is picking winners and losers, using dollars to meet quotas rather than installing technologies that truly work. Ohio companies need the freedom to constantly evaluate their energy choices. Mandates act as anti-competitive measures that must be met without regard to the most effective measure that a company may select.

In summary, total electric power generation production costs are lowest when driven by market forces, rather than relying on government mandates for energy efficiency or renewables. The simplest, most cost-effective way for Ohio leaders to reduce SO₂, NO_x, mercury and CO₂ emissions and increase energy efficiency is to continue to allow energy markets to work. Mandating renewables and energy efficiency will result in higher costs, than if markets are allowed to direct power generation choices.