

United States Senate

WASHINGTON, D.C. 20510

May 27, 2003

The Honorable Spencer Abraham
Secretary
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Abraham:

We are writing to express our concern about continued high natural gas prices, the impact on industries that rely on natural gas for manufacturing, and the possibility of severe price spikes recurring later this year. In your recent address to the National Petroleum Council, you correctly pointed out that the amount of natural gas in storage is unusually low and that injection rates must increase dramatically in order to fill storage to levels sufficient to meet anticipated demand this year. With natural gas prices twice as high as they were last year and the increased demand for electricity expected this summer, market fundamentals are not encouraging for robust storage refill rates.

We commend you for focusing on the near term challenges we face with respect to natural gas and for calling an emergency meeting of the National Petroleum Council next month to identify actions that can be taken immediately to ease short-term supply constraints. The expertise of the NPC's members in the production, transmission and distribution of natural gas should be very helpful. Increased natural gas supplies are needed of course and, in fact, drilling is up thirty percent this year. But significant new gas supplies are not likely to come on line in the near term.

Energy efficiency and conservation, as well as fuel switching, are more likely to make a difference in natural gas markets this summer and next winter. Analysis of the successful efforts of California to reduce electricity consumption in 2001 demonstrated that efficiency and conservation were the fastest and least costly solutions available. We urge you to cast a wider net for recommendations on natural gas including meeting with Governors, state and federal regulators, industrial and commercial gas consumers, electric utilities and independent generators, and experts in efficiency and conservation.