

REP. PETE STARK (CA)

SENIOR DEMOCRAT

REP. CAROLYN B. MALONEY (NY)

REP. MELVIN L. WATT (NC)

REP. BARON P. HILL (IN)

SEN. JACK REED (RI)

SEN. EDWARD M. KENNEDY (MA)

SEN. PAUL S. SARBANES (MD)

SEN. JEFF BINGAMAN (NM)

108TH CONGRESS

804 HART SENATE OFFICE
BUILDING
WASHINGTON, DC 20510-6602
202-224-0372
FAX 202-224-5568
www.jec.senate.gov/democrats

WENDELL PRIMUS
STAFF DIRECTOR

Congress of the United States
Joint Economic Committee
Democrats

Opening Statement
Senator Jack Reed
Joint Economic Committee Hearing
October 7, 2004

Thank you, Chairman Bennett. I want to thank you for holding this hearing on a very important and timely topic. Natural gas is the most environmentally friendly fossil fuel, and it used to be thought of as relatively abundant and relatively cheap—a fuel of choice in many sectors of the economy. Natural gas is still an attractive, relatively clean-burning fuel, but prices have skyrocketed in the past few years.

High and volatile natural gas prices are a problem right now for America's households and for industrial users. Families face higher home heating costs; factories face higher costs that deter plans for expansion and encourage the search for cheaper production opportunities outside the United States; and farmers are finding it more expensive to fertilize and irrigate crops.

I suspect we will learn in this hearing that the conditions that have produced high and volatile natural gas prices are going to be with us for some time. Once a real and sustainable economic recovery takes hold, demand for natural gas will increase. But we are likely to find it harder and harder to expand supply from our traditional sources—domestic production and imports from Canada. Rising demand and a limited supply are a recipe for higher prices. These are also conditions in which unexpected events can produce sharp price fluctuations.

I myself believe very strongly that the best strategy we have for dealing with these conditions in the natural gas market is to put a much greater emphasis on energy efficiency and conservation. The National Petroleum Council, in its report, *Balancing Natural Gas Policy*, finds that such an approach is vital to the near-term and long-term strategy for moderating price levels and reducing volatility. I know Mr. Prindle will be testifying that the American Council for an Energy-Efficient Economy has reached similar conclusions.

I do recognize that supply-oriented policies can also have an important role to play in a balanced strategy. Those policies include increased domestic production, taking due care to be environmentally responsible; investments in production research and development; and increased liquefied natural gas (LNG) imports.

I will be especially interested in what our witnesses have to say about the prospects for LNG. This is an important issue for my state and my region and I have been urging the Federal Energy Regulatory Commission to develop a regional strategic plan for the siting of new terminals and to improve their process for addressing safety and security concerns.

While I recognize that environmentally responsible policies aimed at increasing the supply of natural gas may yield benefits, especially in the longer run, I come back to my main point. All indications are that energy conservation and increased efficiency appear to be the best solutions, especially in the next few years.

Given the problems we face in the natural gas market, I and a number of other legislators in the Northeast and Midwest were dismayed to learn that the Bush Administration has decided to discontinue the Interagency Working Group on natural gas. Perhaps this hearing can provide some additional impetus for the Administration and the Congress to make a concerted effort to address natural gas and other energy policy issues in a constructive manner.

I thank the Chairman and look forward to hearing from the witnesses.

#