NGVAMERICA
Natural Gas Vehicles for America

Fallacies and Realities About The NAT GAS Act

The **New Alternative Transportation to Give Americans Solutions (NAT GAS) Act of 2011** was introduced April 6. That bill, H.R. 1380, contains a number of provisions that would significantly stimulate the growth of natural gas vehicle (NGV) use including:

- Extending for five years tax credits for the use of natural gas as a vehicle fuel and the installation of natural gas refueling property, and reinstating the credit for purchasing a natural gas-fueled vehicle
- Expanding the credit for vehicle purchase and installation of fueling stations
- Incentivizing vehicle manufacturers to produce NGVs in the U.S.
- Making it easier for the companies and consumers to take advantage of these credits
- Making Indian Nations eligible for these credits

While H.R. 1380 now has 185 bipartisan co-sponsors (as of May 19, 2011), a few members of Congress and some organizations are critical of this legislation and oppose its passage. These criticisms are ill-founded. They are fallacies. The following are a list of these fallacies and an explanation of the reality of each:

Fallacy: Congress should let the free market decide what transportation fuels should succeed.

Reality: This position might have some validity ***IF*** the marketplace was determining the price of the dominant transportation fuel, namely, petroleum. But that is not the case. There is no free market when it comes to petroleum. The market is significantly distorted by the cartel power of OPEC. All other transportation fuels and technologies are at an extra-market economic disadvantage. Letting "the free market" decide America's energy policy would be playing right into OPEC's hands. It is exactly what OPEC would hope for so they can continue to sap hundreds of billions of dollars a year from the American economy. Shifting away from our dependence on foreign oil has been the explicit policy of the last eight Presidents – five Republican and three Democrat. Federal intervention to offset the policies of OPEC is essential. HR 1380 is exactly the type of intelligent program that is needed. That's why it already has as many bipartisan cosponsors in the House as it has.

Fallacy: A growing NGV market will raise the price of natural gas for existing customers.

Reality: According to the U.S. Energy Information Administration (EIA) in 2010, the U.S. consumed 24.45 trillion cubic feet (Tcf) of natural gas per year. Even under the most aggressive scenario, natural gas consumption by NGVs would not exceed 1.25 Tcf by 2015. Increasing natural gas fuel use by 1.25 Tcf is an increase I consumption of only 5%. EIA previously published a report that evaluated the potential for natural gas use in heavy duty fleet vehicles.[1] That report indicated that natural gas prices would "rise modestly" even if demand for natural gas as a transportation fuel were to reach 1.6 Tcf per year. Meanwhile, the U.S. gas producers have estimated that they could easily expand production considerably if demand was there. In its 2011 Annual Energy Outlook, EIA projects low natural gas prices out through 2035 – even with a growing NGV market. In fact, several existing liquefied natural gas import terminals in the U.S./Canada have submitted applications to become *export* terminals since the projected low price of domestic natural gas will be competitive on the world market in the future. It would be a travesty if natural gas were exported from the US to fuel NGVs in other countries, while we continued our dependence on foreign oil.

Fallacy: Congress should not be picking winners and losers.

Reality: NGVs are already a winner. NGVs cost more to buy, but because of the natural gas prices are lower than gasoline or diesel, NGVs cost less to operate. Therefore, the more miles driven, the faster the payback. For some of the most fuel intensive fleets, NGVs are economic today. But to accelerate NGVs market penetration (and, therefore, foreign oil displacement), the first cost differential between NGVs and gasoline/diesel vehicles needs to be brought down faster so even more vehicle owners will find NGVs economic. Increased NGV demand will bring the needed economies of scale and large scale production. That is the objective of the NAT GAS Act.

[1] See AEO 2010, " Natural gas as a fuel for heavy trucks: Issues and incentives"; http://www.eia.doe.gov/oiaf/aeo/otheranalysis/aeo_2010analysispapers/natgas_fuel.html.

Fallacy: The federal budget can't afford to incentivize NGVs.

Reality: The United States is now spending over $1 billion per day for petroleum. While a cost estimate for the NAT GAS Act has not yet available, the annual cost of this five-year program would probably cost less than one month's worth of oil imports. With the incentives from the NAT GAS Act, NGVs could be displacing 10 billion gallons of gasoline per year within a decade. Looked at this way, our economy can't afford *not* to pass the NATGAS Act. Every dollar invested in encouraging demand for natural gas vehicles would increase jobs here in the U.S. by supporting vehicle manufacturers, fueling equipment suppliers and fleets that operate here in the U.S. All of this activity would increase not decrease economic activity here in the U.S. Even those industries that opposed passage of the NAT GAS Act would benefit indirectly by the decreased demand for petroleum products, and could benefit directly if they saw fit to invest in natural gas vehicles for their transportation fleets.

Fallacy: Transportation is a lower priority market than others.

Reality: This is simply wrong. In fact, according to the market place, NGVs are the highest, most valuable use of natural gas. This can be shown by looking at the price of competing energies in each market. The competition for natural gas in the transportation market is gasoline and diesel fuel. Gasoline at $4 per gallon is selling for $32 per million Btu. That is far above all the competing fuels in all the other natural gas markets, i.e. chemical feedstock, power generation, industrial, commercial and residential markets.

Fallacy: This is just another opened ended government program.

Reality: The NAT GAS Act would only provide incentives for five years to help jumpstart the NGV industry.