



Dear MEMA member,

There has been renewed interest in natural gas by state and local officials and of course, your customers primarily because of price. It is true that today the price of natural gas is extremely low, in fact, the lowest it has been in over 7 years. I wanted to share some interest points that you may use in conversations with customers and policy makers.

**1. We have had this romance before and it flamed out. Government has no business picking winners and losers in energy markets.**

- Only 3 years ago, the Maine PUC Chair was lamenting the fact that Maine's electric prices were so high because we had become too reliant on expensive natural gas! Oil has been the best value over the last 30 years.
- 25 out of the last 32 years, heating oil has been cheaper for residential use. Source: DOE – EIA.
- 25 years ago Maine Gov't required the electric utilities to buy non-oil generated electric at high prices for long contract periods because they "knew" that oil prices would be \$200 a barrel and would never come down. We have been paying \$billions since. If oil stays high, the market will sort this out. Government intervention almost always costs more.
- Should the areas that already have natural gas (the densely populated ones), and areas that will never get natural gas – most of the rest of the State, subsidize (through bonds or loan guarantees) the extension of natural gas pipelines that the pipeline companies themselves won't build because the ROI does not work?
- Will additional cherry picking of commercial and residential populations for subsidized natural gas cause operational and transportation costs to rise for other energy sources as customer density declines?

**2. Nat gas prices are low for 4 reasons (armchair analyses):**

- No demand – weather related.
- No demand – severe recession = industrial and commercial use way off.
- No speculation – Amaranth and Enron got caught manipulating the natural gas markets and some went to jail. The regulators are watching natural gas so there is little volatility. However, the traders that did not go to jail are still plying their craft in the petroleum markets.
- Huge new supply – fracking.
- Will price increase as more gas is used for generation and for LNG export?

3. **Nat gas is methane and a B12 heating oil has less carbon emission equivalents than nat gas.** Natural gas is essentially methane, a potent greenhouse gas with 30-75 times the greenhouse gas potential of CO<sub>2</sub>. While the burner tip emissions may be less than heating oil, the life cycle analysis puts nat gas and oil very close with a B12 being clearly better for the environment – from a CO<sub>2</sub> emissions perspective.
4. **If the new natural gas is “wet” with propane will propane become less expensive?**
5. **LNG is available for anchor loads in Maine.** The paper mills today can truck in LNG at a fraction of the cost of building new pipelines. The LNG itself will be slightly more expensive but it does not require long term contracts to justify the investment.
6. **Oil heat with biofuels is the only “fossil” fuel moving toward renewability.** With the new technologies emerging for commercial application of wood to oil, it is very likely that liquid fuels with bio components will be the fuels of the future. Nat gas has no “renewable” ability. We have the existing infrastructure to deliver ULSD with a B10. Today’s new heating oil equipment can reduce emissions and usage dramatically.
7. **Heating oil and propane companies are locally owned small businesses.** The utilities are not. These companies have for decades provided employment and support to many local causes.
8. **The State has a liquid fuels and deliverable fuels infrastructure,** Why not capitalize on that Billion dollar infrastructure by encouraging biofuel production, coal to liquids, natural gas to liquids etc...
9. **Conservation - efficiency upgrades and weatherization yield the best return on investment. Proven results from our own members. We are the solution to lowering heating costs.**