



# THE COMMITTEE ON ENERGY AND COMMERCE

## MEMORANDUM

---

March 4, 2014

TO: Members, Subcommittee on Energy and Power

FROM: Committee Majority Staff

RE: Hearing on “Benefits of and Challenges to Energy Access in the 21st Century: Fuel Supply and Infrastructure”

On March 6, 2014, at 9:00 a.m. in 2123 Rayburn House Office Building, the Subcommittee on Energy and Power will hold a hearing entitled “Benefits of and Challenges to Energy Access in the 21st Century: Fuel Supply and Infrastructure.” The hearing will focus on the critical need for modern infrastructure to meet new challenges of increasing U.S. energy abundance, including the transmission, storage, and distribution of fuel for consumers. U.S. energy demands in every state are changing, and this hearing will explore how rail, pipelines, and trucking play a key role in moving supplies to markets. The hearing also will examine how inadequate infrastructure has contributed to recent regional shortages of natural gas and propane.

### I. WITNESSES

The Honorable Adam Sieminski, Administrator, U.S. Energy Information Administration;

Mr. Donald F. Santa, President and CEO, Interstate Natural Gas Association of America;

Mr. Richard Roldan, President and CEO, National Propane Gas Association;

Mr. Andrew Logan, Director, Oil & Gas and Insurance Programs, Ceres;

Mr. Shorty Whittington, President, Grammer Industries, Inc., *on behalf of* American Trucking Association and the National Tank Truck Carriers;

Mr. Michael Obeiter, Senior Associate, Climate and Energy Program, World Resources Institute;

Mr. Andrew J. Black, President, Association of Oil Pipe Lines; and

Mr. Edward R. Hamberger, President and CEO, Association of American Railroads.

### II. BACKGROUND

Private industry continues to improve on extraction techniques, which has created unprecedented and sustained growth in energy production in the United States. The U.S. became the largest producer of petroleum and natural gas in 2013, surpassing both Russia and Saudi Arabia.<sup>1</sup>

---

<sup>1</sup> See EIA [U.S. expected to be largest producer of petroleum and natural gas hydrocarbons in 2013](#), October 4, 2013.

Production of crude oil increased by one million bpd in 2013, an increase that was greater than the combined increases in the rest of the world.<sup>2</sup> The relatively recent growth in domestic energy production has been one of the few bright spots in the economy, helping to bring economic growth to other sectors such as manufacturing and reducing our dependence on unstable regions of the world.

However, there is evidence that the infrastructure to transport domestically produced fuel sources is lagging behind production. While the growth in production can create “inexpensive fuel that acts as a tax cut” to consumers and industry, inadequate infrastructure is creating shortages during periods of high demand in some regions, while other regions have surplus supply.<sup>3</sup> The ongoing shortages of propane in the Midwest are examples of the impact of inadequate infrastructure. The CEO of the Propane Education Research Council, Roy Willis, called the current shortages of propane “the canary in the coalmine” for U.S. energy infrastructure needs.<sup>4</sup> Secretary of Energy Ernest Moniz recently stated about the propane shortages:

Frankly, obviously right now there’s a lot day-to-day issues to be concerned about. But we also want to keep this also in the broader context: What we seeing play out is also just one example of where our energy infrastructure isn’t quite ready for the task that we have today.<sup>5</sup>

Inadequate infrastructure has created a situation where, despite the fact the U.S. is the world’s largest producer of natural gas, the Eastern half of the U.S. from Florida to Maine sees chronically high natural gas prices, especially during winter months when there is high demand. Even though Pennsylvania, where development in the Marcellus shale formation is producing enormous amounts of natural gas, the pipeline infrastructure is not in place to deliver natural gas supplies to nearby States in the Northeast and Mid-Atlantic. In New Hampshire, because of constrained natural gas supplies and the subsequent price spike, the owners of a paper mill were forced to shut down, and the State’s largest utility found it was cheaper to operate jet fuel powered turbines.<sup>6</sup>

New investment in the 21st-Century U.S. economy requires an energy infrastructure that can deliver fuels safely and consistently, and is dynamic and flexible enough to adjust to changing demands. Rail, pipelines, and trucks each play a critical role in ensuring our domestic energy needs are met. Embracing a system that allows all modes of transportation to be fully utilized is critical. Also, it is important to recognize the interconnectedness between the different types of fuels and the means by which they are transported. Regulatory impediments not only can create shortages of fuels, but also an overreliance on a particular mode of transportation.

### **III. ISSUES**

The following issues are expected to be examined at the hearing:

- The roles rail, pipelines, and trucks play in the U.S. energy infrastructure;
- Examples of recent fuel shortages due to inadequate infrastructure;
- How recent cold weather across the U.S. has impacted infrastructure;
- How the growth in domestic production has transformed infrastructure demands;

---

<sup>2</sup> See EIA [U.S. crude oil production growth contributes to global oil price stability in 2013](#), January 9, 2014.

<sup>3</sup> David, Javier E. (2014, March 2) [Booming US energy sector feeds manufacturing, may overtake it](#), CNBC.

<sup>4</sup> Green, Mark (2014, February 11) [Chilly Winter Underscores U.S. Energy Infrastructure Needs](#), Energy Tomorrow.

<sup>5</sup> Statements before the national Association of State Energy Officials in Washington D.C. on February 5, 2014.

<sup>6</sup> Editorial (2014, January 30) [Wanted: new natural gas pipelines](#), Concord Monitor.

- The role the Federal government can play to foster the construction of a 21st-Century energy infrastructure.

**IV. STAFF CONTACT**

If you have any questions regarding the hearing, please contact Tom Hassenboehler or Jason Knox of the Committee staff at (202) 225-2927.