The Subcommittee met, pursuant to call, at 9:02 a.m., in Room 2123 of the Rayburn House Office Building, Hon. Ed Whitfield [Chairman of the Subcommittee] presiding.

Members present: Representatives Whitfield, Scalise, Shimkus, Pitts, Terry, Latta, Olson, McKinley, Gardner, Pompeo, Griffith, Barton, Upton (ex officio), Rush, McNerney, Tonko, Barrow, Christensen, Castor, and Waxman (ex officio).
Staff present: Nick Abraham, Legislative Clerk; Charlotte Baker, Press Secretary; Sean Bonyun, Communications Director; Allison Busbee, Policy Coordinator, Energy and Power; Patrick Currier, Counsel, Energy and Power; Tom Hassenboehler, Chief Counsel, Energy and Power; Jason Knox, Counsel, Energy and Power; Mary Neumayr, Senior Energy Counsel; Chris Sarley, Policy Coordinator, Environment and Economy; Tom Wilbur, Digital Media Advisor; Alison Cassady, Democratic Senior Professional Staff Member; Greg Dotson, Democratic Staff Director, Energy and Environment; and Ryan Skukowski, Democratic Assistant Clerk.
Mr. {Whitfield.} I would like to call the hearing to order this morning, and we have a panel of eight witnesses this morning, and we look forward to the testimony of all of you, and your expertise and assistance to the committee. This morning’s hearing is the second in a series entitled `Benefits of and Challenges to Energy Access in the 21st Century''. Last week we focused on access to electricity, and today we want to turn our attention to fuel supply and infrastructure issues. We really look forward to this hearing this morning because we have representatives of the pipeline, railroad, and trucking industries, as well as others, to give the perspective on what we need to be doing to make sure that we take advantage of our current energy opportunities in America.

You didn’t even start my time, and I am already through with my remarks. So at this time I would like to introduce Mr. McNerney of California for his opening statement.

[The prepared statement of Mr. Whitfield follows:]
Mr. {McNerney.} Thank you, Mr. Chairman, and good morning. This is our second hearing on energy access, and I think it is an important topic. As we have seen in New England, we have had price hikes, gas shortages, and there are other infrastructure concerns that we need to think about. The good news, of course, is that we are seeing a tremendous amount of natural gas and oil production. I think we are the biggest producer in the world as of last year.

Well, the relatively bad news is we don’t quite have the infrastructure to make sure that all of our potential domestic customers have good access to this wonderful bounty that we are having, so it is important to hear from the witnesses this morning.

We need to maximize what resources we have so that we can improve our manufacturing base. I think that is one of the real benefits of this, is that we have an opportunity now to regain our stature as the premier manufacturing center of the world. And with your all help out here, this is going to happen. So we want to hear what your thoughts and ideas are on how we can move forward. There needs to be a partnership between the Federal government and the local governments, on the one hand, and industry that is going to make these investments. We have some complaints about the regulatory
process, how long it takes to get permits, and hearing how we can best move forward while maintaining public safety is critical.

We need to worry about methane leaks into the atmosphere, so that means finding the best technology out there to prevent methane, which is a greenhouse gas. So we want to make sure that the technology is not only available, but that it is being implemented properly. And we would need to make sure that there is continued oversight so that when gas lines, oil lines, get put in, that they are monitored properly. No one in this panel benefits when there is a leak, when there is a disaster. And if we work together in a way that prevents those from happening, and gets potential bad players out of the market, then everyone is going to benefit.

We also need to have an environment where investment is encouraged. And, again, overregulation won’t do that, but under-regulation won’t do it either, so we need some strong public/private partnerships.

And, with that, Mr. Chairman, I am going to yield back.
I believe we have votes called within an hour, so--

[The prepared statement of Mr. McNerney follows:]

*************** COMMITTEE INSERT ***************
Mr. {Whitfield.} Thank you very much. Mr. Upton is not here, Mr. Waxman is not here, so if they come in later and want to make a statement, we will recognize them at that time. But in the meantime, I am sorry, you are not going to hear any more from us. We are going to give you all the opportunity to talk. So, on our panel today, we have Mr. Adam Sieminski, who has been here before, the administrator over at the U.S. Energy Information Administration, Mr. Donald Santa, who is the CEO, president, of the Interstate Natural Gas Association of America. We have Mr. Richard Roldan, who is president and CEO of the National Propane Gas Association, Mr. Andrew Logan, who is the Director of Oil and Gas and Insurance Programs at Ceres. And we have Mr. Shorty Whittington, who is president of Grammer Industries, on behalf of the American Trucking Association, and the National Tank Truck Carriers. We have Mr. Michael Obeiter, who is with the Climate and Energy Program, Senior Associate, at the World Resources Institute. We have Mr. Andrew Black, who is president of the Association of Oil Pipelines. And then we have Mr. Ed Hamberger, who is the president and CEO of the Association of American Railroads.

So each one of you will be recognized for 5 minutes for your opening statement. And, as you know, we have the little
boxes, and when it turns red, that means the time is up. If it is green, you can keep talking. So, Mr. Sieminski, we will begin with you, and you are recognized for 5 minutes for your opening statement. And be sure and turn your microphone on.
STATEMENTS OF ADAM SIEMINSKI, ADMINISTRATOR, U.S. ENERGY INFORMATION ADMINISTRATION; DONALD SANTA, PRESIDENT AND CEO, INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA; RICHARD ROLDAN, PRESIDENT AND CEO, NATIONAL PROPANE GAS ASSOCIATION; ANDREW LOGAN, DIRECTOR, OIL AND GAS INSURANCE PROGRAMS, CERES; CHARLES “SHORTY” WHITTINGTON, PRESIDENT, GRAMMER INDUSTRIES, INC., ON BEHALF OF AMERICAN TRUCKING ASSOCIATION AND THE NATIONAL TANK TRUCK CARRIERS; MICHAEL OBEITER, SENIOR ASSOCIATE, CLIMATE AND ENERGY PROGRAM, WORLD RESOURCES INSTITUTE; ANDREW BLACK, PRESIDENT, ASSOCIATION OF OIL PIPE LINES; AND EDWARD HAMBERGER, PRESIDENT AND CEO, ASSOCIATION OF AMERICAN RAILROADS.

Mr. {Sieminski.} All right. Chairman Whitfield, Mr. McNerney, members of the committee, thank you for the opportunity to be here today. As you know, EIA is a statistical and analytical agency at the Department, and by law our data analyses are independent of approval by any other office or employee of the Federal government, so these views should not be construed as representing those of the Department of Energy, or any other Federal agency.
EIA is providing and data and analysis related to the winter fuels markets. This winter we have been working very closely with the Department of Energy’s energy response organization to provide critical market information to public officials, industry, and consumers. This winter’s cold weather increased both consumption and prices of heating fuels nationally. This winter season has been the coldest since 2002-3, and in the Midwest the coldest since the winter of 1978-79.

Let me talk a little bit about propane. U.S. propane supplies hit record highs last year due to increased oil and natural gas production. With supply growing faster than domestic demand, the U.S. has become a net exporter of propane in recent years, although imports have continued to play an important role, particularly in the upper Midwest and the Northeast of the United States. Last fall, a record corn harvest coincided with very wet weather to increase demand for propane in the Midwest for crop drying. As a result, propane stocks in the Midwest were at their lowest level for November since 1996. Stocks were further reduced when cold weather hit the Midwest in late December and early January.

There are two major hubs for propane in the midcontinent, Mont Belvieu, Texas, which is really on the Gulf Coast, and Conway, Kansas, in Central Kansas. Under market
conditions that prevailed from March 2010 to November 2013, prices at Mont Belvieu were generally above those at Conway, and that provided a signal for supplies to move towards the Gulf Coast. Most pipelines between the hubs carry supplies southward. Rail is the primary mode available to move propane northward from Mont Belvieu up into Conway.

At the beginning of December, wholesale prices, as reported by Reuters, were nearly equal at Conway and Mont Belvieu. The development of extreme propane shortages in the Midwest in January led to a significant rise in prices at Conway, and that provided a strong incentive for increased flows back up north to the Conway hub, and other consuming areas, by a variety of modes, including trucks. Imports also increased, with more propane flowing into Minnesota and Michigan via pipelines from Canada, and additional European tanker cargoes coming into the Northeast of the United States. Many states declared emergencies to enable more delivery of propane throughout the Midwest to both wholesalers and retail customers.

Now I am going to talk just a little bit about natural gas. Cold weather affected natural gas markets, including new record high withdraws of natural gas from storage, and a surge in natural gas prices. On February 21, storage levels were below the previous 5 year minimum, and natural gas
prices at Henry hub increased from 4.32 per million BTUs up
to as high as $8.15 on February 10. In contrast to markets
for propane and heating oil, however, where wholesale prices
are quickly reflected in retail prices, electricity and
natural gas rates paid by consumers, who receive service
through their local distribution utilities, did not
immediately reflect the spot market prices.

New England faces some of the highest and most volatile
spot natural gas prices, reflecting both pipeline capacity
constraints and growth in demand, particularly for
electricity generation. Reductions in imports of liquefied
natural gas, LNG, and Canadian pipeline gas added to the
strain on pipelines serving New England that carried
domestically sourced natural gas.

So natural gas spot prices in New England hit record
levels this winter. Price for the first 50 days of 2014
averaged 50 percent higher than prices during a comparable
period in 2013. Winter spot prices for natural gas in New
England were also higher on average, and more volatile than
elsewhere in the United States, although prices were high all
over the U.S. In fact, EIA released a special report last
January, which is included in my testimony, that talks about
this in detail. And updated analysis for this winter, also
included in my testimony, discusses a number of potential
ways to lessen the impact of limited peak natural gas supply at peak demand periods, including pipeline expansions, additional fuel substitution by electric generators and other gas customers, and ways to save on the demand side.

I am going to end there. Thank you for the opportunity to testify, and I look forward to answering questions.

[The prepared statement of Mr. Sieminski follows:]
Mr. Whitfield. Thank you very much, Mr. Sieminski.

Mr. Waxman has come in, and we will give him an opportunity to make his opening statement at this time.

Mr. Waxman. Thank you very much, Mr. Chairman. I welcome all of our witnesses today. There is a significant energy transition underway in the United States, and we are going to hear today about how we need to modernize our energy infrastructure in light of this transition. Building a modern energy infrastructure for the 21st century requires more than just drilling more wells, laying more pipelines, filling more rail cars with crude oil, and putting more tanker trucks on our highway. A modern 21st energy infrastructure isn’t modern at all unless it takes climate change into account.

We have a rapidly diminishing window to act to reduce our carbon pollution before the catastrophic impacts of climate change are irreversible. That means that the energy infrastructure decisions we make today will have a real and direct impact on whether we can limit climate change in the future. We need to understand this risk before we lock in infrastructure that will produce carbon pollution for decades to come. Every responsible business executive in the country knows that there will be no certainty in energy policy until
we address climate change.

A modern 21st century infrastructure also needs to be resilient. Earlier this week the Government Accountability Office released a report finding that U.S. energy infrastructure is increasingly vulnerable to a range of climate change impacts, such as severe weather and sea level rises. We need to prepare our infrastructure to withstand climate related disruption. We also need to have an infrastructure that is efficient, and minimizes waste.

A good example of inefficiency in today’s system is methane. Far too often methane, a potent greenhouse gas, leaks into the air during the production, processing, and distribution of oil and natural gas. In North Dakota oil companies are flaring natural gas as a waste product, rather than building the infrastructure to get these resources to market. We need to find solutions to stop this dangerous pollution and put this gas to productive use.

The future will belong to the country that builds an energy infrastructure to support a cleaner, low carbon economy. It is our responsibility to lead the country in that direction.

I appreciate this chance, Mr. Chairman, to make this statement. I thank the witnesses for being here today, and look forward to their testimony.
[The prepared statement of Mr. Waxman follows:]

******* COMMITTEE INSERT ************
Mr. {Whitfield.} Thank you, Mr. Waxman. It is my understanding that Mr. Upton is going to waive his opening statement?

Mr. {Upton.} No, I would say just insert in the record, but thank you.

Mr. {Whitfield.} Thank you. At this time, Mr. Santa, you are recognized for 5 minutes for your opening statement.
STATEMENT OF DONALD SANTA

Mr. {Santa.} Good morning, Chairman Upton, Chairman Whitfield, and Ranking Member Waxman, and members of the subcommittee. My name is Donald Santa, and I am president and CEO of the Interstate Natural Gas Association of America, or INGA. INGA represents interstate natural gas transmission pipeline operators in the U.S. and Canada. Thank you for the opportunity to share INGA’s views. Our analysis points to the need for the U.S. to build significant new natural gas infrastructure. Simply put, we need to keep pace with the changing natural gas supply and demand picture.

Infrastructure designed to meet the challenges of the past will not necessarily meet the challenges of the future. Congress can help in one area, that I will touch upon in a few moments.

I do not have to tell anyone that this has been a demanding winter. With but extremely few exceptions, there have been no service disruptions or curtailments for natural gas pipeline customers who contracted for reliable, firm service. The rare disruptions were caused by mechanical difficulties, and were limited only to a day or so. Given the magnitude of the demand across much of the country, the
extreme operating conditions, and the resulting stress placed on the overall system, the natural gas transmission pipeline industry’s performance has been remarkable.

This contrasts with what happened in the 1970s. A combination of government policies at that time discouraged natural gas supply and infrastructure development. Consumers, and many of our nation’s leaders, believed that the U.S. was running out of natural gas. This lack of interstate supply and interconnected infrastructure, coupled with severely, unusually cold winters in the late 1970s, caused significant natural gas service disruptions. Schools closed for extended periods, and some businesses ceased operations until warmer weather arrived.

We have come a long way since then. Congress decontrolled natural gas well head prices, thus providing an incentive to explore and produce new natural gas. The Federal Energy Regulatory Commission restructured the interstate pipeline sector, unbundling commodity sales from transportation, and thereby gave pipeline customers the opportunity to realize the benefits of competition at the well head.

So we have gone from the mistaken impression that the U.S. was running out of gas to being the world’s largest producer of natural gas. Our robust nationwide pipeline
network is the envy of the world. Most major markets, and all major producing basins, are connected to multiple pipelines, and as a result, we have competition among entities that were assumed to be natural monopolies several decades ago. This phenomenal transformation of the U.S. energy sector has provided our country a unique competitive advantage in the global market. No other country has the combination of abundant natural gas supply and robust pipeline infrastructure. Additional natural gas transmission pipelines, however, will be needed to keep pace with the rapid development of new natural gas resources, and the increase in natural gas demand.

Two things are necessary to make this infrastructure development possible. The first is proper market signals for new capacity. In most regions, this is not a problem. Shippers sign contracts for proposed firm pipeline capacity, and if enough capacity is contracted, a pipeline project stands a reasonable chance of moving forward. Regions with restructured electricity markets, however, present real challenges. This is especially the case when such markets are capacity constrained, and rely heavily on natural gas fired generators. New England is the prime example.

We have encouraged the regional stakeholders to take steps that will create such price signals, and recent
initiatives undertaken by New England’s states’ governors are promising. Still, the region has far to go in resolving the disconnect that has caused its consumers to pay such a premium for natural gas and electricity.

Beyond these market signals, the pipeline permitting process also much work efficiently. The House has debated legislation authored by Representative Mike Pompeo to bring some discipline and accountability to the pipeline permitting process, and to permitting agencies beyond FERC. We support this legislation, and hope the Senate will act soon to move it forward.

This winter has been challenging, but it would have been far worse without our new domestic natural gas abundance. Supply is only one side of the coin, however. The other side is infrastructure, because pipelines make it possible. The incentives to develop the shale gas, and the opportunities for consumers to realize its benefits, would not be the same without our robust, flexible, and expandable natural gas pipeline network.

Still, we should not assume that the current natural gas pipeline and storage infrastructure be sufficient to handle present and future natural gas supply development. Natural gas has given the U.S. a phenomenal advantage. To realize this advantage fully, we need to build the infrastructure
that will permit all Americans to benefit from the shale
revolution.

I thank the subcommittee for the opportunity to testify.

[The prepared statement of Mr. Santa follows:]

*************** INSERT 2 ***************
Mr. {Whitfield.} Thanks very much. And, Mr. Roldan, you are recognized for 5 minutes for an opening statement.
Mr. Chairman, this is a particularly timely hearing, considering that propane retailers in several regions of the country face supply and distribution constraints this winter. I want to stress that our highest priority is to safely and reliably serve the nearly six million households that depend on propane to heat their homes. And I would like to point out that the vast majority of retail marketers were able to do just that, despite the significant challenges they faced.

Given the experience of this winter, I believe it is incumbent upon us, as an industry, to understand the causes
and contributing factors, and to propose concrete practices and policy recommendations to prevent a recurrence. In our written statement, we noted the role that cold weather played. The number of heating degree days this season was 10 percent higher than the previous year, and 15 percent higher than the year before that. Last fall’s grain harvest came in later, wetter, and it seemed all at once. This forced farmers to use five times the amount of propane to dry the grain that was used the previous year. Altogether, weather driven demand, coupled with record crop drying usage, resulted in nearly a billion gallons of additional demand.

Now I would like to point out the role that exports have played this year. In recent years we transitioned from being a propane importing country to being a propane exporting country. Today propane is 100 percent American made. That is offset by the fact that the U.S. now exports one out of every five gallons, and those numbers are growing. We believe we need to review our current export policies with respect to propane, and consider its effect on consumers and energy reliability.

Finally, Mr. Chairman, I want to alert the subcommittee to the dramatic transition that is taking place with the fuel distribution infrastructure in this country. Record production of crude oil, natural gas, and propane from shale
formations is changing the historical flow of fuels. Pipelines that once carried propane and other products from the Gulf Coast, where they were produced, northward are now being reversed to carry other products toward the Gulf Coast. That, in turn, is place greater pressure on railroads and highways. I think it is critical that we understand these changes, and the effects that they have on consumers.

Mr. Chairman, I would be remiss if I closed without extending our deep appreciation to the people who helped stabilize the situation. That includes members of this subcommittee, as well as other members of Congress. The level of cooperation between agencies, among governors of affected states, and our transportation partners, some of whom are represented at this witness table, was not less than extraordinary, and have made a real difference.

I would like to thank in particular the Department of Energy, the Federal Energy Regulatory Commission, the Department of Transportation. And I personally would like to commend Secretary Moniz and Secretary Foxx for their personal attention.

Mr. Chairman, that concludes my remarks.

[The prepared statement of Mr. Roldan follows:]

*************** INSERT 3 ***************
Mr. {Whitfield.} Thank you very much. At this time, Mr. Logan, you are recognized for 5 minutes.
Mr. {Logan.} Great. Thank you, Mr. Chairman, and members of the subcommittee for the opportunity to be here today to testify on the economic and environmental impacts of natural gas flaring in the United States. I am Andrew Logan. I direct the oil and gas program at Ceres, and we are a coalition of institutional investors and environmental organizations working to make capital markets more environmentally and socially sustainable. We have over 100 institutional investor members representing over $11 trillion in total assets united by the belief that strong environmental performance drives strong financial performance over time. Our investor members have significant financial exposure to the oil and gas sector, and want to see the industry succeed.

And while Shell Oil is bringing significant economic benefits to the United States, we believe that the way the resource is currently being developed is shortsighted, and fails to capture its full value, at least in certain parts of the country. Our investors believe that flaring natural gas is environmentally destructive, economically wasteful, and, most importantly, almost always unnecessary. And, despite
well-intentioned and quite significant efforts by some companies, the problem is getting worse, and will continue to get worse until the regulatory environment changes, so that flaring is no longer the cheapest and easiest option.

Flaring is a problem that the U.S. thought it had left behind in the 1950s, but the rapid growth of tidal oil production in the United States has been accompanied by a dramatic increase in flaring that has propelled the U.S. into the top 10 gas flaring countries in the world. And most of this flaring, as you know, occurs at oil wells drilled in areas that lack the infrastructure necessary to capture the gas that comes out of the ground with the oil. And instead of investing in the necessary infrastructure to capture that gas, companies often choose to simply flare it off, where regulations allow them to do so.

It is important to note, though, that lack of infrastructure is only part of the problem. Roughly half of all the flaring in North Dakota comes from wells that are already connected to pipelines, so we need better planning as well. I think we really want to see this industry plan its wells with the idea that natural gas has value.

Flaring comes at a steep environmental cost. Flaring is a major contributor to greenhouse gas emissions. It is the equivalent of adding a million cars a year to the road in
North Dakota alone. But the environmental impact of flaring is not its sole cost. North Dakota gas is so rich in valuable natural gas liquids, like propane, that this is about the last gas in the world that you would want to flare. In fact, over the course of 2012, North Dakota producers flared over a billion dollars of natural gas, a massive economic waste.

So flaring is clearly environmentally damaging, it is economically wasteful, but most importantly, it is avoidable. The North Dakota Industrial Commission has run the numbers, and has concluded that it is economic to capture this gas, in large part due to its high liquid content, but yet flaring in the state is still north of 30 percent. And that is because, while capturing gas produces positive economic returns, it doesn’t match the returns from drilling the next oil well. So if regulations allow that sort of short term decision-making, as they do in North Dakota, many companies will simply make that choice.

Our investors take a long term view, and want to see the value of the resource maximized, and they are deeply concerned by the current approach to development. The Bakken Formation has been around for 360 million years. It is not going anywhere. If you take a little bit of extra time to develop the resource in a thoughtful and deliberate way, it
seems to me that we should strongly encourage that.

So we are working with our investors to push the industry to take a longer term view, and it is important to acknowledge that some companies, like Continental and Hess, are doing so. And yet the data are clear, the problem is getting worse, and not better. Flaring in North Dakota hit 36 percent in December, which is a new record. This means that more than a third of all the natural gas produced in that state is going up in smoke at the same time as consumers around the country are seeing price spikes, and, in places, actual shortages of propane.

So, from my perspective, flaring is an indefensible economic waste, but it also represents a major opportunity, a billion dollar a year opportunity, for entrepreneurs, as well as for the industry itself. We are seeing huge amounts of innovation going on, and there is a potential for a real American success story here, but this technology is having a hard time getting a foothold because it is hard to compete with free. And right now, in North Dakota, flaring is free. So if you take only one point away from my testimony today, it is that it shouldn’t be. Thank you.

[The prepared statement of Mr. Logan follows:]

*************** INSERT 4 ****************
Mr. {Whitfield.} Thank you, Mr. Logan. Mr. Whittington, you are recognized for 5 minutes.
Mr. (Whittington.) Thank you very much. Mr. Chairman, and members of this committee, thank you for inviting me here to testify on the issue of propane transportation. My names is Charles "Shorty" Whittington. I am president of Grammer Industries, a for-hire trucking company headquartered in Grammer, Indiana. I am also the former chairman of the American Trucking Association, and I currently serve on the Board of the National Tank Truck Carriers. My company operates 120 specialty MC-331 transport tank trailers, 115 of those which are capable of transporting propane. Not only do I haul propane, I also am a large consumer of propane, as a farmer, and we have about 1,500 acres. My fleet currently employs over 200 people, and the logistics personnel, and professional drivers.

This past year, Grammer Industries has experienced a substantial increase in propane hauls. In an average year, Grammer dedicated between 25 and 30 tank trucks to haul propane in the winter months. This year, we have dedicated over 80 units to do this service. I would like to further detail Grammer’s experience this winter in hauling propane.

There are roughly 11,000 tank truck trailers in the
United States capable of hauling propane. To add some perspective to this, each of these specialized trailers cost about $150,000, and a new tractor costs $125,000. This is a sizable investment for carriers to participate in this segment of business.

With the increase of natural gas production across the nation, and the corresponding increasing demands for tank truck services, competition for the use of the existing tank truck trailers is at an all-time high, straining existing capacity and new trailer production capacities at the same time. The reality of this is, if I ordered a new tank truck to haul propane today, I would receive it in May of 2015. These tank trailers have a capacity of 10,600 gallons. However, because of product expansion and government regulations, we can only fill these tanks to 85 percent of capacity, or, in other words, about 9,000 gallons.

Typically Grammer’s average length of haul falls into the 50 to 100 mile range. That has been the way it has been for the last 10 years. However, given the exceedingly difficult market dynamics in play, we found ourselves making longer hauls that have exceeded 800 miles this year. When propane shortages occur, like this winter, companies like mine need to be able to respond accordingly. In times of crisis, the tank truck community has offered its capacity and
services to emergency respond teams many times, as our carriers haul essential products necessary for the recovery, whether it is from hurricane relief in the Gulf Coast, or a propane shortage in the midst of a devastating Midwest winter.

As we have seen in every crisis situation, the Federal hours of service regulations is a key obstacle that may be waived in order to help our deliveries to the affected areas. While waiving these hours of service regulations has been extremely helpful, the current process of seeking this relief can be very confusing, time consuming, and the deterrent of both our customers and the critical service we provide.

If the President, the governor of a state, or an FFCSA regional field administrator declares a regional emergency, certain regulatory constraints are suspended for drivers and motor carriers providing direct relief to the emergency. This is true regardless of where the driver’s trip originates, even if the emergency was only declared in one state, provided they are offering relief to the affected area.

However, enforcement officials in distant states, or even neighboring ones, may not be aware that drivers may legally take advantage of this regulatory exemption which results in the various roadside enforcement disparities.
And, with today’s CSA rules, these disparities can put a carrier like myself out of business. Exceptions provided under the circumstances are usually in effect for 30 days. Though authorized officials may extend the relief for another 30 days, they do not always make such decisions in a timely manner.

To address these issues, Congress should work with the Department of Transportation to evaluate ways in which the emergency exemption declaration process could be improved at regional, state, and local levels. Additionally, the Department of Transportation and State should seek to improve communication with enforcement officials when regulatory relief has been granted, identifying which drivers are entitled to that relief, and what rules are for that emergency.

Again, I would like to thank you for the opportunity to testify at today’s hearing, and I will be very happy to respond to any questions that you may have. Thank you very much.

[The prepared statement of Mr. Whittington follows:]
Mr. {Whitfield.} Thank you, Mr. Whittington. Mr. Obeiter, you are recognized for 5 minutes.
Mr. {Obeiter.} Good morning, and thank you for the opportunity to contribute to the deliberations of this subcommittee. My name is Michael Obeiter, and I am a senior associate in the Climate and Energy Program at the World Resources Institute. WRI is a non-profit, non-partisan think tank that focuses on the intersection of the environment and socioeconomic development. I am pleased to be here today to offer WRI’s perspective on the United States natural gas infrastructure, with a focus on the need for reductions in fugitive methane emissions, and forward-looking planning that takes into account the realities of a changing climate.

The U.S. currently finds itself in the midst of an energy boom, driven by technological advances in the extraction of oil and natural gas. Our domestic energy resources are the envy of much of the world, yet we must also weigh the consequences of our actions on the natural environment. The decisions we are making will have long lasting impacts on air quality and the climate.

Methane, the primary component of natural gas, is a powerful greenhouse gas, at least 34 times as powerful as carbon dioxide at trapping heat. Although natural gas emits
only 50 to 60 percent as much CO2 as coal when burned for electricity generation, fugitive methane emissions throughout the natural gas life cycle undermine the climate advantage of switching from coal to gas. While we don’t yet know exactly how much methane is escaping into the atmosphere from wells and pipelines, we know enough to recognize that fugitive methane emissions are a significant environmental problem, and one that we know how to address.

There are many commercially available technologies that reduce or eliminate methane emissions, and pay for themselves in 3 years or less. Analysis by WRI and others has demonstrated that a one percent leakage rate system-wide is an achievable and cost-effective benchmark. Below one percent, we can say with certainty that fuel switching from coal to gas, or from diesel to gas in heavy duty trucks and buses, is a net positive for the climate.

Beyond this environmental impact, methane has economic value, and any cubic foot that is leaked, vented, or flared is one less cubic foot that can be put to productive use. The fact that emissions control technologies are not utilized to the extent they should be is evidence of a market failure that requires policy intervention. Thankfully, there are a number of options available to Congress to address this issue, including tax incentives for investment in emissions
control technologies, requiring companies to perform monthly emissions monitoring and repair as a condition for receiving the right to drill on Federal lands, and supporting applied research and development to the Department of Energy to drive down the costs of emissions control technologies, and allow companies to bring more gas to market, in much the same way that DOE played a key role in the development of hydraulic fracturing technology.

I have included additional policy options in my written testimony. As this subcommittee explores the challenges and opportunities of energy infrastructure in the 21st century, I encourage its members to propose innovative ways to simultaneously cut waste, increase government royalties, and combat climate change by reducing fugitive methane emissions.

Yet these unchecked emissions are merely one symptom of a national energy landscape that systematically undervalues long term prosperity. Climate change, and the rising sea levels, reduced agricultural yields, and more extreme weather it brings, threatens to alter our way of life and dampen prospects for economic growth, including in the energy sector.

A recent GAO report found that, "climate changes are projected to affect infrastructure throughout all major stages of the energy supply chain, thereby increasing the
risk of disruptions.'' This underscores the need for the private sector to take climate into account when it makes investment decisions. While many companies are already incorporating a de facto price on carbon into their decision-making process, lack of clarity complicates their attempt to seize the economic opportunity of the transition to a low carbon economy.

Luckily, smart climate policy is indisputably compatible with smart economic policy. Reducing methane emissions from leaky infrastructure, for example, is good for business. Numerous studies have made the case that inaction on climate change will be more expensive than taking action now to mitigate greenhouse gas emissions. Even the Defense Department is concerned, calling climate change, ``a threat multiplier that can enable terrorist activity and other forms of violence.''

Taken together, these arguments point to the need to take climate risks into account when making investment decisions on long lasting infrastructure. The infrastructure choices we make today will reverberate for decades. Ignoring the climate when making these decisions risks stranding valuable assets, or locking in dangerous levels of greenhouse gas emissions, and potentially catastrophic climate change. We owe it to ourselves, and future generations, to make sure
we get those choices right.

Thank you again, Mr. Chairman, Ranking Member McNerney, for the opportunity to be here today. I look forward to your questions.

[The prepared statement of Mr. Obeiter follows:]

*************** INSERT 6 ***************
Mr. {Whitfield.} Thank you, Mr. Obeiter. Next is Mr. Black, who used to run the Energy and Commerce Committee, so he is recognized for 5 minutes.
^STATEMENT OF ANDREW BLACK

Mr. {Black.} Thank you, and good morning. I am Andy Black, president and CEO of the Association of Oil Pipelines. AOPL represents the owners and operators of energy liquid pipelines which benefit American workers and consumers. Americans use pipelines today to fuel their vehicles, heat their homes, harvest their crops, manufacture consumer goods, and more. In just 2012 pipelines transported 14.1 billion barrels of crude oil, refined products, and natural gas liquids across 185,000 miles of pipelines. Nearly every gallon of gasoline consumers put in their vehicles travels at some point through a pipeline.

Pipelines allow American consumers to benefit from new crude oil production in the U.S. and Canada. Pipelines are also transporting growing supplies of U.S. natural gas liquids to chemical and plastic manufacturing facilities here in the U.S., which is creating new good paying jobs for American industrial workers.

Pipelines are the least expensive, most reliable, and safest mode of transporting liquid energy. For example, shipping by rail costs an average of two to three times more than by pipeline, according to EIA. In 2012 99.9998 percent
of the products transported by liquid pipelines reached their destination safely. This safety record is a natural outcome of the major financial investment pipeline operators make in safety each year.

In 2012 operators spent more than $1.6 billion on pipeline integrity management. That is evaluating, inspecting, and maintaining their pipelines. The result is that over the last decade liquid pipeline incidents are down over 60 percent, and volumes released by pipelines are down more than 45 percent. The industry recently launched the Pipeline Safety Excellence Initiative to take these safety efforts to the next level.

Today pipelines operate in highly competitive transportation markets, competing vigorously against other pipeline operators, and operators of railroads, trucks, and barges. New and expanded pipeline infrastructure is essential to delivering the benefits of America’s energy renaissance to U.S. consumers and workers.

AOPL members have made substantial investments to link new production and supply sources to refining and consuming markets. Pipeline operators have been constructing new pipelines, reversing pipelines, converting pipelines from one type of product service to another, and expanding the capacity of existing pipelines. More than 10,000 miles of
liquid pipelines have been placed into service in just the last 4 years.

The importance of pipelines was underscored by what happened in propane markets this winter. As you have heard, propane storage inventory levels in the Midwest downstream of pipelines began this fall at abnormally low levels. Then large supplies of propane were needed to dry crops after an abundant and wet harvest. Next the Midwest and Northeast needed considerable supplies of propane during a winter that started early, and has been very cold. Liquid pipelines were asked to help, and they responded. Pipeline operators coordinated with government, asked shippers of other products to voluntarily defer shipment so that more propane could be shipped, made tariff filings at FERC to facilitate additional shipments, and issued alerts to shippers about unused and available pipeline capacity.

This winter’s propane supply issues were not the result of inadequate pipeline infrastructure. There is, and will be, enough pipeline capacity to transport propane supplies to where they are needed. Like FedEx or UPS delivering packages for others, pipelines transport energy products for shippers, who own the products being shipped, and decide when they are to be shipped.

While pipeline service is available to shippers year
round, propane shippers do not ship consistent amounts of propane throughout the year. Pipeline capacity exists during off peak times to help propane shippers ensure field supplies are sufficient to meet seasonal needs. If propane market participants want to adjust their supply patterns by shipping more pipeline offseason, more propane offseason to fill downstream storage, pipeline operators are ready. And if shipper expressed a need for new service by committing to use pipelines, pipeline operators will respond by adding new pipeline capacity.

Government can help ensure the availability of adequate pipeline infrastructure. It is essentially that states make timely decisions on siting requests for pipelines, that Federal agencies process permits needed for construction, that FERC policies support new investment, and, of course, that the State Department efficiently decides upon requests for presidential permits for facilities crossing our border.

The recent State Department analysis of Keystone XL found that alternative modes of transportation would result in higher costs to shippers, and more crude oil released in the environment. The high profile debate on Keystone XL has shown that more and more Americans recognize the benefits to consumers and workers of pipeline infrastructure. I want to thank the subcommittee for its interest in Keystone XL, and
in pipeline infrastructure generally, including by holding this hearing today. Thank you.

[The prepared statement of Mr. Black follows:]

*************** INSERT 7 ****************
Mr. {Whitfield.} Thank you, Mr. Black. And, Mr. Hamberger, you are recognized for 5 minutes.
 STATEMENT OF EDWARD HAMBERGER

Mr. Hamberger. Thank you, Chairman Whitfield, Chairman Upton, Ranking Member Mcnerney. Thank you for the opportunity to appear before you on behalf of the Association of American Railroads. Our members account for the vast majority of the freight railroad mileage, employees, tonnage in Canada, Mexico, and the United States. The transportation of energy products is a central focus of this network, and we are proud of the role we play. By delivering coal to power plants, ethanol to fuel blenders, crude oil to refiners, propane to local distributors, frack sand and steel pipe to natural gas extractors, railroads are indispensable in our nation’s ongoing quest to achieve greater energy security and higher domestic energy production.

But that would not be the case if, back in 1980, your predecessors had not passed the Staggers Rail Act, removing strangling regulation and releasing $550 billion of private sector investment. By leading that fight, this committee enabled the rail tonnage to double. The accident rate is down 79 percent, and rates are actually down 42 percent from 1980. The massive investments, and I emphasize they are private sector investments, would not have occurred, were it
not for the leadership of this committee, and that Staggers Rail Act has made our system the envy of the world. Had you not done the right thing back in 1980, we would not be the envy of anyone today.

In recent years railroads have seen dramatic increases in demand to transport crude oil. As recently as 2008, class one U.S. railroads originated just 9,500 car loads of crude oil. In 2013, that number is 410,000 car loads, approximately 11 percent of the U.S. crude oil production. And that is good news not just for the railroad industry, but, as you said, Mr. McNerney, for the economy as a whole, as we begin to produce more than we import.

My thesis today is that our nation cannot take full advantage of our new crude oil resources without a safe, efficient, financially healthy freight rail industry. But a very close corollary to that is that our nation cannot reach energy independence without a safe, efficient, financially healthy pipeline industry, barge and towing industry, and yes, my good friend Shorty, a tank truck industry.

The question that we have been hearing recently, because of some high profile accidents, is can railroads, in fact, move crude oil safely? I am here to tell you the answer to that question is yes. Our safety record is 99.98 percent of the time we get from origin to destination without a spill.
That is pretty good, not good enough, and we are going to continue to try to get to 100 percent. And to that end, we reached an agreement just two weeks ago with Secretary of Transportation Foxx to implement a series of voluntary action items that we will take to try to improve our safety record. These include more frequent track inspections than required by regulation, enhanced braking systems, speed restrictions beyond those in the regulations, and the use of a sophisticated routing model to assess the safest and more secure routes.

These steps are aimed primarily at accident prevention, but the next step in dealing with risk is mitigation. And there we are recommending new tank car standards, including a thicker tank car, and a jacket around the tank cars to help them in the mitigation. We also believe that existing tank cars need to be retrofitted, or phased out of service of flammable liquids.

Emergency response is the third bucket of activities, very critical as well. Last year we trained 22,000 emergency responders around the country, and we have stepped up, again, in the agreement with Secretary Foxx, to develop a very specialized emergency response training module at our training center in Pueblo, Colorado, the emergency response training center where we have hands-on experience for
You can’t talk about energy in the United States without talking about coal. U.S. coal production is focused in a relatively small number of states, but coal is consumed in large amounts all over the country, made possible because the U.S. has the world’s best, most efficient, and comprehensive coal transportation system, with freight railroads leading the way. In 2012 railroads delivered 577 million tons of coal to our nation’s electric utilities, equal to more than 70 percent of the total coal deliveries to power plants. That happens to be down 23 percent from our peak in 2008.

The lure of higher coal exports to Asia is the main impetus for plans to build new bulk export terminals in the Pacific Northwest. For China and India, if consuming more coal means cheaper and more reliable electricity for the hundreds of millions of people in those countries who currently don’t have that electricity, then consuming more coal is what they will do. I submit to you that this coal could be supplied by U.S. coal producers and U.S. coal transporters, who operate under the world’s most stringent safety and environmental standards, or it could be supplied by producers and transporters in other countries, who operate under more lax standards.

I apologize for running over, Mr. Chairman. Thank you
for the opportunity to be here today.

[The prepared statement of Mr. Hamberger follows:]

*************** INSERT 8 ******************
Mr. {Whitfield.} Well, thank you, and thanks all of you for your testimony. We appreciate it very much. I recognize myself for questions, and then we will move forward as quickly as we can.

Mr. Black, I think you said that 99.998 percent of your products get to their destination safely, and, Mr. Hamberger, you said 99.98. Both of those are pretty good, but, Mr. Hamberger, you touched on this in your testimony, and there has been a lot of publicity recently about some accidents hauling oil out of the Bakken fields. And I was talking to some representatives of Burlington Northern Santa Fe yesterday, and it is my understanding they are moving out 700,000 barrels a day--

Mr. {Hamberger.} Yes, sir.

Mr. {Whitfield.} --which is a lot of oil. And frequently we get confused about barrels versus car loads. How many barrels of oil is in a car load? Or maybe I should say gallons.

Mr. {Hamberger.} There are 30,000 gallons, which is 7,000 barrels, in a round figure--

Mr. {Whitfield.} Okay.

Mr. {Hamberger.} --and 100 cars to a train.

Mr. {Whitfield.} Okay.
Mr. {Hamberger.} So that would be--

Mr. {Whitfield.} Okay.

Mr. {Hamberger.} --70,000 barrels per train, a round--

Mr. {Whitfield.} And, you know, of course, we know about the Canadian accident, and there was some negligence involved there regarding braking systems, I believe, but--

Mr. {Hamberger.} Yes, sir.

Mr. {Whitfield.} --we have heard some stories that the oil coming out of the Bakken is more volatile. Are you aware of any evidence of that, or scientific analysis of that issue?

Mr. {Hamberger.} There is a lot of work going on in that area. The Pipeline and Hazardous Material Safety Administration launched what they termed back in August the Bakken blitz. I think they now call it Operation Classification. They have not yet issued their final report. What we have learned, just in discussions with them, is that there seems to be more natural gas liquids, ethane, butane, in the shale oil than some other oil. And that has led us to then call on the same Pipeline Hazardous Material Safety Administration, PMSA, to issue new tank car regulations which would be able to accommodate this more volatile oil.

Mr. {Whitfield.} And how are they coming along on those regulations? Are they moving quickly, or--
Mr. {Hamberger.} They are still contemplating. They published an advance notice of proposed rulemaking in September, and they have not yet come out with a notice of proposed rulemaking. But I am sure they are working on it.

Mr. {Whitfield.} Yeah. Okay.

Mr. {Hamberger.} And I should point out, not to throw them under the bus, but we actually petitioned PMSA in 2011. And when I say we, I mean the American Petroleum Institute, the American Chemistry Council, Association of American Railroads. Tank car manufacturers went in March of 2011 and asked them to promulgate a new tank car standard. When they did not do so, that same group of organizations got together and voluntarily adopted a new tank car standard, effective October 1, 2011, so that the tank cars being made since that time are dramatically an improvement over the current Federal regulatory standard. We think, given what we have just been talking about, that what was agreed to in 2011 can be made even more robust going forward.

Mr. {Whitfield.} So the industry is looking for some certainty?

Mr. {Hamberger.} Yes, sir.

Mr. {Whitfield.} Okay.

Mr. {Hamberger.} Exactly.

Mr. {Whitfield.} Now, I think it is great that you all
are doing this emergency response program out at Pueblo. How is that coming along?

Mr. {Hamberger.} We have a tank car emergency response training out there now, but it does not focus on crude oil. We are looking to get 20 tank cars out there, to have them arrayed as if there had been an accident, to have them set up so that they will, in fact, be on fire, have foam, have emergency response uniforms for people to work. We are hoping to provide at least 1,500 emergency responders the opportunity to go through that program starting July 1, and that would be on top of the 2,000 we already train out there. And that would be an ongoing program into 2015 and beyond.

Mr. {Whitfield.} Okay. Thank you. At this time, Mr. McNerney, you are recognized for 5 minutes.

Mr. {McNerney.} Thank you. I ask unanimous consent to include a letter from Mr. Lobesec to the committee to be included.

Mr. {Whitfield.} Without objection.

Mr. {McNerney.} Well, I want to thank the witnesses. I think it was a good set of testimony. Well, one side of the aisle wants to move forward with production, produce, produce, produce, and the other side says, well, you know, what about safety, what about the environment? So it is important to have a balance between these two, and I think
that is what we ought to be aiming for.

My first question goes to Mr. Logan. I appreciate your comments about flaring. The question I have is kind of political. How much resistance do you think industry would put up to regulating down the flaring levels?

Mr. {Logan.} Well, I think if you asked me the question a year ago, I would have said a whole lot. I think we have seen so much negative attention on the flaring problem over the last year, and also the fact that, you know, the data show that the problem does continue to get worse, so I think there is a growing recognition from industry, as well as from other stakeholders, that voluntary action to date has not gotten the job done.

Well, there are companies that are taking kind of leadership steps to reduce their own flaring, and now see that the actions of some of their peers who aren’t doing the right thing sort of drags the whole industry down.

Mr. {McNerney.} So companies are saying, hey, it is probably in our interest to move forward with a reduction of flaring?

Mr. {Logan.} That is right. I think the question is how far, and kind of what the levers--

Mr. {McNerney.} Thank you.

Mr. {Logan.} --to make that happen are.
Mr. {McNerney.} Mr. Whittington, I appreciate your comments about the reduction in obstacles to the Federal hours of service regulations, and I look forward to working with you on that. I don’t really have a question, but I appreciate your comments on that.

Mr. {Whittington.} Be delighted to work with you.

Mr. {McNerney.} Okay. Mr. Obeiter, three year payback is possible on reducing fugitive emissions, equipment to reduce fugitive emissions?

Mr. {Obeiter.} Yeah. There have been a number of case studies through the EPA Natural Gas Star program, as well as other programs, that have demonstrated that the vast majority of emissions control technologies pay for themselves in 3 years or less.

Mr. {McNerney.} So how serious is the problem of methane leaks from our natural gas infrastructure?

Mr. {Obeiter.} It is impossible to say with precision, but we know that it is a significant problem. We know that recent numbers from the EPA inventory, and a survey by industry of fugitive methane emissions likely understates the case. You know, methane is the second most important greenhouse gas after carbon--

Mr. {McNerney.} So is there good technology out there in existence to help us detect leakage in pipelines and in
fracking wells?

Mr. {Obeiter.} There is. There is technology that can detect leaks, and there is technology to go in and fix those leaks wherever they may be.

Mr. {McNerney.} And is that being implemented, or is there resistance to implementing that?

Mr. {Obeiter.} It is being implemented on a voluntary basis in some places, but there has been some resistance simply because, in a lot of cases, a three year payback, which sounds great to me, does not compare favorably with a lot of the investments made by these natural gas companies.

Mr. {McNerney.} And one last question for Mr. Hamberger. How compliant are your members to the voluntary actions that you discussed? I mean, you must have a variety of responses to those—

Mr. {Hamberger.} Well, all class one railroads have subscribed to it, and many of our short line members are as well.

Mr. {McNerney.} So when you say subscribe to it, you mean they are—

Mr. {Hamberger.} They have committed publicly, signed by the CEO or the Chief Operating Officer on a piece of paper with the Secretary of Transportation that they are committed to adhering to these voluntary items. The administrator of
the Federal Railroad Administration has testified that he will direct his inspectors, even though they are voluntary, to treat them as though they were regulatory mandates, and would make public any, you know, this is a commitment that we made in 35 days.

Mr. {McNerney.} Well, I want to wrap so others can question, but the voluntary measures you identified sounded pretty good--

Mr. {Hamberger.} Thank you, sir.

Mr. {McNerney.} --so let us see those implemented.

Mr. {Hamberger.} Yes, sir.

Mr. {Whitfield.} Thank you. At this time recognize the gentleman from Louisiana, Mr. Scalise, for 5 minutes.

Mr. {Scalise.} Want to thank the Chairman for having this hearing, and want to thank all of our panelists for the information you have been providing.

Want to first ask you, Mr. Black, in your testimony, and in, you know, you all are heavily involved in all the pipeline infrastructure throughout our country. There is a heated debate in this town about the Keystone XL pipeline. I know you referenced it in your testimony. Legislation has been passed in the House to approve the Keystone XL pipeline, very large bipartisan majorities. Obviously, right now, that rests with the President. The President likes talking about
using a pen to change laws, especially as it relates to his healthcare law, but one thing the President could do today is actually use a pen to approve the Keystone XL pipeline, and create thousands of good jobs, increased energy security, and a trading partner with Canada. And, again, you mentioned the pipeline infrastructure between the United States and Canada in your testimony.

There has been some debate about the types of job creation that would come with Keystone XL. And there is some very good reports out there, talking about not only billions of dollars of private investment that would come in, but tens of thousands, over 20,000 jobs that would be created. The President often trivializes that, and tries to diminish the job impact. Can you talk to the jobs that would be created, and the energy security that would be created, by approving and developing that pipeline relationship with Canada for Keystone XL?

Mr. {Black.} Sure. Thank you, Congressman. The State Department’s final environmental impact statement shows that more than 20,000 jobs would be created Keystone XL. Those are real, good paying jobs. And you are right, the President has the opportunity to sign that permit. And while Congress has acted, and we support the interest of Congress in Keystone XL, the quickest way to do this is just for the
State Department to grant a presidential permit. Tomorrow is the final day of comments on the national interest determination, and we hope that soon after that there will be a recognition that this has support not just from a majority of the House and of the Senate, but also of the American people of all parties.

Mr. {Scalise.} Well, let me ask you about the jobs, because we still have a very struggling economy. I think if you look at a lot of the policies coming out of this administration, many of those policies, in fact, are the reason that you have such a sluggish economy, when you talk to families who are struggling, people that just got reduced to 28 hours that used to be working 40 hours because of the President’s laws and policies. But let us talk about the Keystone jobs, because, again, the President does diminish this. I don’t know if you all have done your own study, I have seen studies. What is the impact that you have seen on what kind of jobs would be created in America?

Mr. {Black.} Well, I would refer you to the tremendous support that the project has from the labor community. And when I have been in Nebraska, I have found that the union jobs there that will be supported are tremendous. They are some of the best advocates for this project. There will be manufacturing jobs making pipe, making steel. There are also
ancillary jobs in finance and in insurance. A lot of these jobs are going to be outside of the pipeline route. There has been one study that 80 percent of the jobs will be throughout the nation. So it has many positive benefits on--

Mr. {Scalise.} Any ideas on numbers, on how many jobs you are talking about?

Mr. {Black.} I don’t have those in front of me. I will be happy--

Mr. {Scalise.} Because I have seen upwards of 20,000 jobs. And, again, the President trivializes this, and acts as if, you know, those aren’t good jobs anyway. You know, maybe we ought to send a copy of this testimony to the President, and maybe he reconsiders a decision. I don’t know if he is out of ink on his pen. I will lend him my pen to sign the Keystone pipeline if he wants to. But, you know, it is just something that people are frustrated with. When they are struggling, they are looking at an economy that is struggling, they want to work. They just want to go back to work.

And you have got 20,000 jobs or more that, as you say, are good high paying jobs that would be helping not only create energy security for this country, but also put food on the tables for those families, and the President continues to say no, and then try to trivialize what, to them, would be an
important improvement in their life, and their quality of life. So I just hope, you know, we continue this conversation. We are going to continue pushing it, but I appreciate the testimony you gave on it, because—

Mr. {Black.} Be happy to get you some information about—

Mr. {Scalise.} --to underscore. Anything else you can get us, please let us know, and we will even pass it on to the White House, and maybe they will read it.

Mr. Hamberger, I want to ask you about some of the comments you made about the enormous growth in crude oil—

Mr. {Hamberger.} Yes, sir.

Mr. {Scalise.} --specifically that has been moved through rail through 2008. Can you expand on that and tell us what you are seeing?

Mr. {Hamberger.} Yes, sir. In 2008, 9,500 car loads. In 2013, over 400,000 car loads. To put that in perspective, that is only about 1-1/2 percent. We move about 30 million car loads a year. So while that is incredibly rapid growth, it is something that we think we can accommodate. As I mentioned, our coal franchise is down 23 percent from the height in 2008. But it is traffic patterns in perhaps new areas, and so that is why this year we are investing $26 billion in capex and maintenance to try to expand the
infrastructure, and be able to handle it. We expect it will continue to grow at those rates, and we will exceed another couple hundred thousand barrels, 10 car loads, this year. I am being given the--

Mr. {Scalise.} Appreciate your answers, and the job creation that you are bringing along with that investment.

Mr. {Hamberger.} Yes.

Mr. {Scalise.} Yield back the balance of my time.

Thank you.

Mr. {Whitfield.} Okay. Ms. Christensen, we will try to get you--

Ms. {Christensen.} Right. I will try to--

Mr. {Whitfield.} --before we go out.

Ms. {Christensen.} --be quick. Thank you.

Mr. {Whitfield.} You are recognized for 5--

Ms. {Christensen.} I appreciate that, Mr. Chairman, and thank you for this hearing. You know, the testimony that we have received this morning is of particular interest to me, as our utility in the U.S. Virgin Islands undergoes a major transition from diesel as our sole generation source to propane, and then eventually to natural gas, which is projected to lower our rates by at least 30 percent. So we were particularly concerned when we saw the dramatic shifts in the propane market, as we wondered how that would affect
So, Mr. Roldan, while I do understand that this is part of your share, due to rapid abundance, and then a series of demands and pressures, including the polar vortex, still, as we go forward, this is something we have to consider. Could you share for the record what your perspectives are, and what needs to happen to ensure price stability in the propane market, should this perfect storm happen again?

Mr. {Roldan.} Yeah. Thank you for the question. It is a very good question, actually. Because we feel under pressure as transportation and storage assets are being taken out of service, the best thing that we could do, as an industry, is build year-round demand. There is no greater incentive for an expanding infrastructure than if you were to take a season industry and build year-round demand, but that is something that takes place over time.

We think that the system could use a big dose of transparency, okay? So we are studying this right now. We have formed an industry task force, and, in a very short period of time, we will come back with concrete policies and recommendations, but we think that the system could use a whole lot more transparency. And let me tell you what I mean by that. We hit a period in the Midwest in late January where essentially, the wholesale price tripled.
Now, to be honest with you, I don’t know what happened in that 10 day period, and I can’t explain it. I have been associated with this industry for 20 years, and I can’t explain it. And so we have joined with Senator Charles Grassley, and other members of Congress, to ask the Federal Trade Commission to look into the transactions that led to that. Because the six million households that depend on our product to heat their homes--

Ms. {Christensen.} Um-hum.

Mr. {Roldan.} --are asking us to prove that things are on the up and up. And not only do our customers want to know, but our retail marketers want to know that our markets are performing properly. I have a whole series of recommendations on new data sets that would help our industry, and I will give you a quick example.

Ms. {Christensen.} Okay.

Mr. {Roldan.} We believe that markets function more efficiently when transparency is there. When you lack transparency, they perform less efficiently. And, just to give you an example, the EIA does a wonderful job reporting inventory data, okay? But if we are exporting one out of every five gallons, and major foreign purchasers are signing long term contracts, if we don’t know what percentage of our inventories at Mont Belvieu and Conway are committed by
contract, then we don’t know what our available inventories are in this country. That is the type of transparency policies we are going to promote.

Ms. {Christensen.} Thank you. Let me try to get in another question. The testimony has focused primarily today on how we can improve, yes, oil and gas transportation infrastructure. But any meaningful discussion of investing in new energy infrastructure has to consider how the energy choices we are making today will have long term impacts for our climate.

Mr. Obeiter, in your written testimony you state that the infrastructure choices we make today will reverberate for the next 40 to 50 years. Ignoring the climate when making these decisions risks stranding valuable assets. Can you expand what you mean? How can ignoring the risks posed by climate change pose an economic risk to a company?

Mr. {Obeiter.} Sure, thank you for the question. If you believe, as I do, that we need to make significant reductions in greenhouse gas emissions in order to stabilize the climate, and avoid the worst impacts of climate change, then we need to be thinking long term when making energy infrastructure decisions. The infrastructure is very long lived, and we risk either stranding these assets, as we move away from high carbon fuels to low carbon, or zero carbon,
electricity, or we risk locking in, essentially, catastrophic climate change, one or the other. And so this is why I believe it is important to think extremely long term when thinking about the energy infrastructure decisions we are making today.

Ms. {Christensen.} And what measures are some companies taking, or are they taking, to incorporate climate change into their investment decisions?

Mr. {Obeiter.} A number of companies are incorporating a shadow price of carbon into their internal decision-making processes. These are not just the companies you would think of, but they include massive multi-nationals, like Walmart, and even Exxon-Mobil, which has disclosed that it is incorporating a $60 price per ton on carbon into its internal decision-making.

Ms. {Christensen.} Thank you, Mr. Chairman.

Mr. {Whitfield.} Thank you. I want to apologize to you all, we have a series of votes on the floor. We were trying to get through as quickly as possible. I think Mr. Hamberger has a previous appointment. I think Mr. Sieminski does as well. But for the others, I know some of the members have some additional questions, and if you all would have time, you know, we have two of the best restaurants in America over at the Longworth Cafeteria and Rayburn Cafeteria, so if you
want to go over there and have something, and we will be back here within one hour. So thank you, and I do apologize, but we will reconvene in one hour. Thank you.

[Whereupon, at 10:12 a.m., the subcommittee recessed, to reconvene at 11:14 a.m. the same day.]
Mr. {Whitfield.} Once again, I will apologize to you all for the delay. And this time I am going to recognize the gentleman from West Virginia, Mr. McKinley, for 5 minutes of questions and/or comments. He ran all the way over here, but he is so physically fit, he won’t have to have any time to recuperate at all.

Mr. {McKinley.} Thank you, Mr. Chairman, and thank you for your presentation. There were a couple questions that I wanted to ask before we broke earlier on the oil pipeline, it was 99.9998 percent efficiency, railroads were 99.98. But I heard some of the discussion earlier about the fugitive gas emissions, and it looks like the amount of gas that we are transmitting, maybe we are losing, is it right, maybe 1.4 percent, something like that, or is it better?

Mr. {Obeiter.} The EPA inventory, the most recent version, has approximately 1.4 percent leakage rate. But more recent studies that take direct measurement suggest that it could be much, much higher than that.

Mr. {McKinley.} How about someone else in the industry that might be able to comment?

Mr. {Santa.} Mr. Obeiter is correct that the latest EPA inventory number is 1.4 percent. There are a variety of other studies going on. As a matter of fact, as Mr. Obeiter
pointed out in his written statement, there is a lot of work going on involving not only EPA, but industry, environmental groups, and academia looking at this to get a better handle on it. And I think, really, we are best to await the results of that to form the basis--

Mr. {McKinley.} Okay.

Mr. {Santa.} --of making policy.

Mr. {McKinley.} And I just need to have a little bit more confirmation, because sometimes we chase the wrong rabbit sometimes in trying to improve on efficiency of 99.98, or 99.9998. How much more money should we invest to try to perfect that?

We have heard the comments earlier about climate change. We have heard in previous testimony and other hearings about the dangers of climate change, and use of fossil fuels, be they coal, oil, or gas, that it is causing premature deaths, it is causing asthma, sicknesses. Do you agree that the product that you are shipping is causing climate change problems around the world? Let us start with you.

Mr. {Santa.} I will take the first stab at that answer, and, yeah, the point that I would make is that, you know, we have seen reductions in U.S. greenhouse gas emissions, and one of the factors that has been cited as a contributor to that is the increase utilization of natural gas to generate
electricity in displacing other more carbon intensive fuels. Clearly there are GHG emissions associated with natural gas, but cleaner than other fuels, and also I think, you know, we can focus on ways to reduce those emissions. But I think overall the net contribution, both to reduce GHG emissions, and overall cleaner air from natural gas, has been a real positive for the United States.

Mr. {McKinley.} Look, I am one of the two engineers here in Washington. I acknowledge that there is climate change as a result of all this, but I am trying to understand how much of it is man-made, and how much of it is natural and cyclical, and whether or not we are pursuing an agenda that is more ideologically intended, rather than consequential.

So I am really interested in where we go with this, because we know that burning the tropical rain forest is far more dangerous and threatening to the ecology and the environment around the world than is coal fired or gas fired power plants in America. But yet we seem to be bent on this war on coal, and war on fossil fuels, and you all are participating in it by transporting our gas, oil, and then railroads with coal. I am curious to see if you feel that that is the right thing to do. Is it indeed contributing to the environmental problems with climate change? You have answered that. Mr. Roldan, did you have a comment?
Mr. {Roldan.} Yeah. If I could add the voice of propane to that, because people talk a lot about natural gas.

Mr. {McKinley.} Yeah.

Mr. {Roldan.} What is often lost is the fact that propane is used in the very same applications as natural gas. We reduce greenhouse gas emissions anywhere from 15 to 18 percent, to as much as 50 percent in some applications. So we actually think that we are part of the solution. And I would also draw your attention to comparisons between reductions in greenhouse emissions in Europe, where they have an economy-wide cap and trade program, and greenhouse gas emissions reductions in the United States, and I think the record in the United States is considerably better than Europe.

Mr. {McKinley.} Okay. I am afraid we are running out of time here, so I apologize for the shortness of time, but thank you all for being here.

Mr. {Whitfield.} At this time recognize the gentleman from Virginia, Mr. Griffith, for 5 minutes.

Mr. {Griffith.} Thank you so much. Mr. Santa, I am going to continue with you. I notice that, in your testimony, you mentioned that the INGAA will be releasing an updated report on the need for new natural gas pipeline infrastructure over the next 15 years. You also state the
report will show the need for natural gas pipeline infrastructure will be significantly higher than the 2011 report found. What are the reasons for demand to be significantly higher than in the previous estimates?

Mr. {Santa.} Thank you for the question, Mr. Griffith. Our report is going to be released on March 17. What we have noted, compared to when we did the report back in 2011, is the shale revolution, the fact that it is of a greater magnitude than we appreciated then, not only with respect to natural gas, but also gas liquids and oil production, and that that is driving the need for more pipeline infrastructure.

Mr. {Griffith.} I appreciate that. And you state your support for H.R. 1900 in your testimony. Can you please clarify why there is a need to address delays from agencies other than FERC that issue permits necessary to construct natural gas pipelines?

Mr. {Santa.} Yes. We do support H.R. 1900, and we think that the issue to be addressed here, and INGAA, and The INGAA Foundation have documented this, that the duration of delays for the variety of other permits that a pipeline applicant must get before it can proceed with construction has, in fact, gotten longer, and that this can be very costly, both for the pipeline sponsor, but for the market.
Let me illustrate that. In many instances, when you are constructing in an environmentally sensitive area, there is a limited construction window during the year. So if you are delayed by two months, if you miss that construction window, you could be delayed by a year, in terms of your ability to build that infrastructure. So we feel that the discipline and accountability that H.R. 1900 would bring to the process would be a positive.

Mr. {Griffith.} And it seems to me that, when you have these issues of delays from agencies in getting new pipeline laid and out there, that that makes it that much more difficult to get the natural gas to the places that it is needed and wanted, and that perhaps the Administration has been shortsighted in its war on coal by attacking our coal resources, and saying, well, we are going to use natural gas, at least as a transition, and that natural gas is the way to go, and then start holding up all kinds of other things, and making it difficult for natural gas to get to the market. Wouldn’t you agree with that, yes or no?

Mr. {Santa.} I would agree that there is a cost associated with delays in getting natural gas to the market, yes, sir.

Mr. {Griffith.} One of my arguments, and many others on this committee feel this way, is that the EPA, on its
regulations that are basically attempting to put coal out of business, particularly when it comes to electric power generation, that the EPA is moving faster than the science. Other testimony comes in and says maybe 10 years, maybe 7, but probably 10 years before the technology is available to meet the regulations that are out there now.

And yet we find in the testimony today that, and I quote from page two of Mr. Obeiter’s testimony, that, “although natural gas emits only 50 to 60 percent as much CO2 as coal when burned for electricity generation, fugitive methane emissions throughout the natural gas life cycle undermine the climate advantage of switching from coal to gas.”

Now, I understand that when we get those kinks worked out, as Mr. Logan and Mr. Obeiter have mentioned today, and you don’t have methane flaring, and you don’t have as many leaks in the pipes, and you are not admitting it, natural gas may be better, but, again, it appears that our Administration currently in power in D.C. over these agencies has gotten the cart in front of the horse, and that we need to continue to use coal for the foreseeable future, because that is actually cleaner for the environment, until we figure out how we can get all those pipe leaks taken care of, and we don’t have the flaring going on. So I think the testimony today has been very interesting in that regard.
Mr. Whittington, on the propane side, you indicated that it is generally 50 to 100 miles for transport--

Mr. {Whittington.} Yes, sir.

Mr. {Griffith.} --but your testimony also indicates that maybe as much as 800 this last year. What was the reasoning for that?

Mr. {Whittington.} The supply was not at the locations that we generally haul from because of the problems of moving the product into the caverns. And then what is happening in the fracking thing, when you look at all the fracking up in Pennsylvania, Ohio, West Virginia, in that area, they were planning on having product coming to the marketplace a lot quicker, and it didn’t. And, therefore, the pipeline that had been feeding that area for so many years wasn’t anticipating the need that they needed to have there, so we were forced in shortages.

One example I can tell you, we were at Catlettsburg, which is pretty near your area, 10:30 one night to load, and the company we are hauling for was put on allocation. We were going to Winchester, Kentucky. The next phone call, that truck leaves there empty, goes to Hattiesburg, Mississippi, to come to Winchester, Kentucky, because that is the only place we could get the guy propane. And he had homeowners, and people that--
Mr. {Griffith.} I am sure.

Mr. {Whittington.} --hog houses, chicken houses that were needing that kind of thing, but we had to go to where the supply was. But it was interrupted in so many places because we were counting on a supply, and it didn’t happen.

Mr. {Griffith.} All right. Appreciate it very much.

My time is up. I yield back, Mr. Chairman.

Mr. {Whitfield.} At this time recognize the gentleman from New York, Mr. Tonko, 5 minutes.

Mr. {Tonko.} Thank you, Mr. Chair.

Mr. Roldan, how much time, and what resources, are required to reverse the flow of propane in a pipeline?

Mr. {Roldan.} Well, I will give you an example. In fact, I am probably going to have to get back to you on that question. The best example I have right now is that the Texas eastern pipeline, that flows from the Gulf Coast up into the Midwest, and serves the Northeastern United States, recently reversed part of that line, a 16 inch line, to flow southward, rather than northward. And I will get you a specific answer to that, how long it took to do that, but I want to make a quick point here, because this affected the Northeast, and your constituents. When you reverse a line, imagine that there are products, it is a mixed batch line, that flow in the 16 inch line, and they both go northward.
If you reverse the 16 inch line to go south, all of those products that are shipped on that 16 inch line cause congestion on the 20 inch line, and that is exactly what we saw happening this year.

Mr. Tonko. Um-hum. Thank you, and I appreciate anything you can forward--

Mr. Roldan. Certainly.

Mr. Tonko. --to the subcommittee concerning that.

Are the decisions about what product is in the pipeline, or the product’s direction of flow, subject to input or review by either state or Federal agencies?

Mr. Roldan. Yeah, it is subject to FERC review. And I realize that there are different statutes that govern natural gas transportation and petroleum products transportation, but it is our view that there are certain standards on the natural gas side where, if you are going to discontinue a service, the commission takes into consideration the impact it is going to have on end users. That doesn’t really happen on the petroleum products side, and we think that that should happen. Somewhere in that process we have to take into consideration the impact that those business decisions are going to have on the consumer.

Mr. Tonko. Thank you. And does permitting for export facilities take into account the potential of United States
shortages of propane that could result from the increased export--

Mr. {Roldan.} It does not. That is sort of a big disconnect between, again, natural gas and propane. If you export natural gas, you factor into that equation the effect on U.S. consumers, and whether it is in the best interest of the United States. No such consideration is given for propane exports.

Now, I will tell you one quick point. We know that global demand is driving production to record levels. We also know that those very same global markets are forcing American consumers to compete with foreign buyers. Now, we think there is a continuum out there somewhere between completely unfettered exports and a near export ban that similarly applies to crude oil today. We think that somewhere between those goalposts there are some reasonable policy options that will allow us to continue to foster increased production, but at the same time allow us to serve our customers reliability. And those are the policy options that we are looking for now.

Mr. {Tonko.} Okay. In reference to the hours of service waivers that have been granted--

Mr. {Roldan.} Certainly.

Mr. {Tonko.} --do these waivers apply to any truck
transport of propane, or only to delivery of propane for heating to shortage areas?

Mr. {Roldan.} Any truck.

Mr. {Tonko.} Any truck? And could this also apply to deliveries to refineries for feed stock propane, or to propane delivered for export?

Mr. {Roldan.} I believe the answer to that question is yes, but I would like to confirm that for you.

Mr. {Tonko.} Well, I would point out that, while these waivers are necessary to deal with a serious supply problem, they increase transportation risks. So not only are our citizens accepting environmental costs and risks associated with drilling, processing, and transport of these fuels, the risk we have just increased with these waivers. As an added cost, they have fuel shortage and high prices.

If this is what the market has provided, it is unacceptable. We need a more strategic energy plan here that emphasizes something more than just getting the best price for large fossil fuel supplies in whatever market will provide it. And I think this propane situation illustrates clearly that increased domestic productions to not necessarily result in domestic energy security, and is something that I think we need to work on as a committee.

Mr. {Roldan.} I think you are right, and if you want to
look at the numbers, you will find that year over year the
increase in propane production here was about 1.5 billion
gallons. The increase in propane exports was two billion
gallons. So this is the first year, the first season, where
propane export volumes exceeded new production coming on line
from shale development. And that is a bit troubling to us,
and we are looking at policy options right now to propose
that might alleviate that situation.

Mr. {Tonko.} I thank you. And, Mr. Chair, I yield
back.

Mr. {Whitfield.} Mr. Whittington, did you want to make
a comment? You seemed to--

Mr. {Whittington.} We could haul to the retailers that
were moving that product and be exempt from the hours of
service. Well, if you are going to a refinery, or you are
going to an export terminal, we did not have an exemption
from the hours of service on those trucks.

Mr. {Whitfield.} All right. Thanks. Mr. Shimkus, you
are recognized for 5 minutes.

Mr. {Shimkus.} Thank you. And, I am sorry, I am
bouncing back, and so some of this may have been asked over
this discussion, but just to the propane issue and
transportation, I know that in our area we had truckers who
were usually doing a short haul of 100, 150 miles driving, I
am from southern Illinois, going to North Carolina. So not only do you lose the multiple runs, but, obviously, then you have this address. I am not a great fan of my governor, but he did well in this process, and I think it was testified throughout that people were really trying to respond.

And before that, it is good to see Bobby back. He has been absent for a while, and we are glad to have him back here. And Andy Black, you know, what goes on in the committee stays in the committee, so we won’t harass you too much, but it is always good to see you. And he helped me cut my teeth on the committee, so I appreciate seeing you.

No one disagrees, I would assume, and we are going to find out, because I am going to ask it, that liquid commodity products, the cheapest, safest way to haul a liquid commodity product is a pipeline. Does everyone agree with that? So everyone is saying yes, except for Mr. Roldan?

Mr. {Roldan.} Yeah. I think the difference is, if you compare rail rates to pipeline rates, rail rates tend to be considerably higher, except when it comes to propane.

Mr. {Shimkus.} Even though I am a big fan of the railroads, the question is posed in the way cheapest and safest. I mean, I think the basic answer is, if you are in logistics, and I kind of played in a little bit, moving bulk commodity products, liquid, through pipelines is the cheapest
and the safest way, followed by then barge? This is just logistics. And then rail, and then trucks. That is pretty much assumed to be correct. Okay. This is an infrastructure discussion, but there are places where pipelines can’t go. The waterway system is not there, and that is why you need the whole logistics tale.

But I am concerned that we are not moving fast enough because of these changing in commodity products in expanding our pipeline system. I have been dealing with a local retailer, and I am not going to name the companies or the pipeline, but in the e-mail transactions that I have dealt with a couple times, he says FERC allowed X pipeline to discontinue shipping ultra-low sulfur diesel on its blank pipelines. The pipeline testimony to FERC to remove one of the two pipelines from south to north service, they claimed that there would be no impact in their capacity or ability to ship refined products. FERC allowed the line to be switched to a north-south service to ship methane from Pennsylvania to the Gulf Coast. This is now the X pipeline. They protested, FERC found in favor of the pipeline. Refined products were impacted because of discontinued ultra-low sulfur diesel shipment.

Andy, you mentioned about it. You mentioned changing the flow based upon the need. They also have a
responsibility to meet the service of the folks who are on that line. So when you repurpose the product, there is a risk of not servicing the people on the line. Does that make sense to people? What is the solution to that? Go ahead. Mr. Black, would you answer that, please, first, and then we will see if anybody else wants to chime in?

Mr. {Black.} So you have got rail, truck, pipeline here at this hearing, and you could have barge, as you say. Liquid energy products can be transported on any mode, and so the transportation competition is intense. There is also no regulation, no obligation to serve customers in liquids. So the reversals that Mr. Tonko was asking about are a reaction of pipeline operators to developments in the market. Right now we had underutilized pipelines moving up that direction because shippers weren’t asking for that pipeline to be used. Pipeline operator who can lose business like that wants to find a better economic use of the asset. Pipeline operator finds customers who want to ship product in a different direction, and they will reverse the pipeline.

That is the easiest way to add capacity into a market today. It is cheaper and quicker than building a new pipeline. So the story of the ATEX pipeline, which had been taking refined products north, and is taking--

Mr. {Shimkus.} You told--
Mr. {Black.} --out--

Mr. {Shimkus.} You ratted me out. I was--

Mr. {Black.} Sure. No, I think it is fine to discuss that. There is propane capacity available today on the northbound TAPCO, and it is available for propane shippers to use it. And if they will use it throughout the year, there will be more than enough propane supply into those regions. I encourage you all to not think that reversals are a problem. Reversals are a way to satisfy shipper needs.

Mr. {Whitfield.} Gentleman’s time is--

Mr. {Shimkus.} Mr. Chairman, if I could just say, the real solution is to build another pipeline too, my guess would be, because it is not just propane, it is other products.

Mr. {Whitfield.} His time has expired, but, Mr. Roldan, you wanted to make a comment?

Mr. {Roldan.} Yeah. Just very quickly, I will tell you that, if you look at how natural gas pipelines are regulated, versus oil pipelines, there is a big difference, because on the natural gas side, if you wanted to discontinue a service, the commission takes into consideration who is affected by that. The same doesn’t happen on oil pipelines. So if you look at the Midwest, and you look at the extraordinary tightness we felt this year, consider the fact that you have
the Cochin pipeline, that goes from Alberta and serve the upper Midwest, 40 percent of the propane sold into Minnesota came into Minnesota from that pipeline. That pipeline is now out of service, and has been reversed. You look at the ATEX line, has been reversed, and those products are moving over. So it is having an effect, and what we are saying is we think somewhere in the equation FERC should be able to have the obligation to consider what the impact is of those business decisions on the customers that depend on those pipelines.

Mr. Whitfield. Did you have a comment, Mr. Whittington?

Mr. {Whittington.} Storage is really important on the pipeline. A very current example downstate from St. Louis area, they reversed a pipeline. Two loading facilities there, because of the current demand, the weather, and everything else, their storage only lasted for three or four days, then we are out of product. We have got to go 200 miles to the next facility to pick up product to come back in. Time of the year is the other thing. You know, it is kind of like here, when you have a snowstorm, send your wife to the store to get the milk. If you are two hours late, there is no milk. But 300 days out of the year, there is plenty of milk on that rack for everybody to have.
So I think we don’t want to lose sight of some of the stuff being seasonal stuff, but storage will be king. That is the problem with all the stuff in the Northeast. They are spending all the money to make the plants, they are going so quick, but storage is not on their priority list. It will be in a couple years, and then that is where you get the bottlenecks, and you get people running out.

Mr. {Whitfield.} All right, thank you. At this time I would like to recognize the gentleman from Illinois, Mr. Rush, for 5 minutes, and I would like to say, we are delighted to have you back, Mr. Rush, and look forward to working with you as we move forward.

Mr. {Rush.} Thank you, Mr. Chairman, and it is a delight to be back again with this subcommittee, and the entire Congress. And we have continued to work, and I missed spending every Monday, Wednesday, and Friday of my life here in a subcommittee hearing, so I am glad to be back in the saddle again.

My question is directed to Mr. Roldan. Mr. Roldan, we have heard that the propane shortage in the Midwest was caused by a sort of `perfect storm'' of contributing factors all converging at the same time, turned out to be a lot of distress and a lot of heartache for many of our constituents. And here on Capitol Hill, there were a variety of letters
going out to everyone that you can think of, from President Obama, to the Department of Transportation, calling for a wide range of remedies, including relaxing weight requirements on the roads and highways, to lifting DOT’s hours of service limitations for motor carriers, as well as a host of other potential solutions.

And the question that I have for you today, are there any legislative actions that you could recommend that we can take to prevent these types of shortages from happening in the future, or do the various agencies and entities that work in this propane market have the tools necessary to prevent this issue from happening again next year, or somewhere down the line? Similarly, I would ask if you could comment on the impact that exporting propane gas, which, by the way, increased eightfold from 2005 to 2013, what impact does our exporting propane gas have on the supply that is needed in the Midwest and across the nation?

Mr. {Roldan.} Thank you, Congressman. That is a very long question, so I am going to try to dissect it. We believe it is incumbent upon our industry to, first of all, understand the root causes and contributing factors of what took place this year, and then educate our members so that we never find ourselves in this situation again.

Now, I would like to point out that, of our 3,000 retail
distributors, the vast majority worked very hard, and did a really good job reliably serving their customers. But we know that we are going to come forward after our task force, an industry task force that was put together, examines the situation, we are going to come back with some concrete policy proposals, and I can tell you they are going to come down in a couple of areas. We want to increase transparency, so that we know that our markets are functioning lawfully and transparently. We want to put in place in statute, and in regulation, consumer protections so that when changes are made, and storage and transportation assets are taken out of service, somebody asks the question, how are these affecting consumers that rely on these products?

We are going to take a look at export policy, because, as I said just a moment ago, there is a range of options that we think responsibly could let us continue to increase production, but at the same time strengthen our ability to reliably serve our customer. And then, finally, the areas of transportation efficiency and storage, I want to talk just a brief second about storage. I know you are time limited here. Give you a good example, I am sorry Mr. Tonko left, because this affects the State of New York. We talk about public storage, private storage. We have a company that is in the process right now of trying to put in 88 million
gallons of storage, underground storage, in the Finger Lakes region of New York. That has been ready to go. It is fuel--

Mr. {Rush.} Mr. Roldan, excuse me for interrupting you--

Mr. {Roldan.} Please.

Mr. {Rush.} --but I do have another question that I really want to get to, so I want to get to my second question.

Mr. {Roldan.} That is good. And if I can follow up for the record?

Mr. {Rush.} Mr. Santa, I have been working with the Department of Energy and various industry stakeholders to increase minority participation and engagement in all sections of the energy field, including gas and oil, renewables, coal, nuclear, and pipeline. And I want to work with your association as well to find out how we can increase the visibility of the natural gas industry in minority communities. And I wanted just to let you know that I look forward to working with you in the future. But can you kind of summarize what you think the status of your agency’s, or your association’s, participation with minorities, and women-owned businesses?

Mr. {Santa.} Mr. Rush, I don’t know what the numbers are with regard to the interstate natural gas pipeline
industry and INGAA’s members. That is certainly something that we can inquire about. I do know that, you know, our members are very active in trying to promote employment opportunities across the board, and also that, you know, overall I think the energy revival we have had in the United States has created tremendous job opportunities across the board, ranging from information technology to a lot of blue collar jobs that are very high paying. But with regard to specifically...

Mr. {Rush.} Are there any minority members--

Mr. {Santa.} Yes.

Mr. {Rush.} --who are part of your association?

Mr. {Santa.} Excuse me?

Mr. {Rush.} Are there any minority members who are part of your association? Minorities, women.

Mr. {Santa.} Our membership is made up of the owners of interstate natural gas pipeline companies, so they are large corporations, as opposed to small businesses that might be woman or minority owned.

Mr. {Whitfield.} You might want to follow up by request. At this time I would like to recognize the gentleman from Nebraska, Mr. Terry, for 5 minutes.

Mr. {Terry.} Thank you, and I appreciate this opportunity to ask a fundamental question that has kind of
been hinted at, at least in the State of Nebraska, from those that rely on propane, so I want to ask the question directly. By the way, Jeff Fortenberry and I were both discussing this, so I will say I will ask it on his behalf as well as mine.

And I wanted to start with Mr. Santa, and go down the line. Are you aware of any allegations of fraud or manipulation to increase the price of propane during what would be, on the surface, a unique confluence of events? Is there fraud or manipulation in the background? Mr. Santa?

Mr. {Santa.} Mr. Terry, given that INGAA represents the interstate natural gas pipelines, we have not followed the propane situation closely, other than to note its coverage in the trade press and the media. Based on what I have seen there, I cannot say that I have seen anything that would alert me to such allegations.

Mr. {Terry.} Thank you.

Mr. {Roldan.} I am not aware of any specific allegations of manipulation, but I can tell you this. I can’t explain the price anomaly that took place at Conway, Kansas over a 10 day period. We represent a lot of Midwestern retail marketers, and their customers, and they are all asking the same question, which is, how can this happen? I understand that volatility is associated with markets, but we think our customers demand the assurance that
our markets are functioning properly and lawfully, and so do our members. And that is why we have taken the position to support Senator Grassley, and other members of Congress--

Mr. {Terry.} Is that a yes or no? Because I only have--

Mr. {Roldan.} Yeah.

Mr. {Terry.} --13--

Mr. {Roldan.} I am asking--

Mr. {Terry.} --3 minutes.

Mr. {Roldan.} I am urging the FTC to examine the transactions related to that run-up in price to--

Mr. {Terry.} All right. That was actually a follow-up question to you, so you might as well keep going.

Mr. {Roldan.} Okay. Well, all right.

Mr. {Terry.} Why do you think the FTC needs to do an investigation.

Mr. {Roldan.} Really, because I think that our customers saw that price increase, and they are looking at us, saying, is everything on the up and up? And we need to give them the assurance that our markets are functioning properly. And the FTC is the only agency that can do that.

Mr. {Terry.} All right. Mr. Logan?

Mr. {Logan.} I have no perspective on that.

Mr. {Terry.} You haven’t heard anything? All right.
Mr. Whittington?

Mr. {Whittington.} I can tell you that we have customers that the freight this year was almost a dollar difference between where they generally get their propane and where we had to pick it up. $1 in freight. Didn’t make any difference what the--

Mr. {Terry.} So you are saying the freight charges spiked?

Mr. {Whittington.} Well, it takes a lot of money to go 800 miles instead of 16 miles. And so what happens there, that, you know, the product wasn’t where it needed to be, and we had to go get it. And I can also tell you that if we hadn’t been able to enjoy the hours of service exemption, we would have had to have twice as many trucks, and the expense would have been much greater than that to supply the demand.

Mr. {Terry.} Mr. Obeiter, anything?

Mr. {Obeiter.} This is not an issue I follow closely.

Mr. {Terry.} Mr. Black?

Mr. {Black.} From the perspective of a transporter that doesn’t own the products being shipped--

Mr. {Terry.} Yeah.

Mr. {Black.} --short answer, no.

Mr. {Terry.} All right. This is a question that Mr. Sieminski was probably best apt to answer, and I am
disappointed that he wasn’t able to stay, but I will submit a
written question to him, Mr. Chairman. So at this point,
that answered my question. I wanted to follow up with the
FTC question, and you answered that in the first part, so I
will yield back my time.

Mr. {Whitfield.} Gentleman yields back. At this time I
recognize the gentleman from California, Mr. Waxman, for 5
minutes.

Mr. {Waxman.} Thank you very much, Mr. Chairman. In
North Dakota and Texas, crude oil production from shale
formations has expanded very quickly. In these areas, oil
wells often don’t just produce oil. They produce natural
gas, propane, butane, and other fuels as well. As oil
production has boomed, so has the amount of natural gas and
other fuels produced. That should be good news to the
producers. The companies could capture this gas and sell it,
but far too often the oil companies simply flare the natural
gas. They treat it as little more than waste. In 2012, 32
percent of the natural gas produced in North Dakota was
flared, burning gas valued at $560 million.

But more than potential profits are disappearing into
the air. This flaring creates carbon dioxide and smog
forming pollutants as well. The flaring of a valuable and
finite natural resource is nothing less than a market
failure. Something is going wrong here. Mr. Logan, is it  

1998 economic to capture the natural gas, rather than to flare it?  

1999 Mr. {Logan.} Certainly in North Dakota it is. I mean,  

2000 I think we have heard from the North Dakota industrial  

2001 commission, as well as from some of the industry itself,  

2002 that, you know, because of the unique nature of the gas being  

2003 produced in North Dakota, it is not a dry gas. It is not  

2004 just methane that you would get, you know, say, in the  

2005 Marcellus, but it is very rich in liquids like propane and  

2006 butane. So the economics of capturing it are actually quite  

2007 good.  

2008 Mr. {Waxman.} Well, if it is profitable to capture the  

2009 natural gas, rather than flare it, why aren’t more companies  

2010 doing it?  

2011 Mr. {Logan.} Well, it is really all about the relative  

2012 economics, and also the state of regulation in places like  

2013 North Dakota. So while it is profitable to capture the gas,  

2014 it is more profitable to drill the next oil well. So if you  

2015 are an oil company with a limited amount of money to spend,  

2016 as they all are, you know, it is a somewhat rational short  

2017 term choice to say, well, look, if I don’t have the capture  

2018 the gas, I would rather spend that money to drill another  

2019 well. When you think of the long term, that is very short-  

2020 sighted, actual wasted value of the resource, but you can  

2021
kind of see, you know, why the market is pushing companies in that direction.

Mr. {Waxman.} Tell me the role of regulations on flaring in North Dakota and other states. Does it perpetuate the problem because the regulations are too lax? And what kind of regulations would move them in the right direction, if--

Mr. {Logan.} Yeah. I mean, I think if you--

Mr. {Waxman.} --profit motive is not enough?

Mr. {Logan.} I think all you have to do is look at the difference in flare rates between a North Dakota and a place like an Alaska, or a Texas. You know, in Alaska, flaring is basically non-existent because the state has mandated that you are not allowed to flare. In Texas, the flaring rate is less than one percent, compared to, you know, 36 percent in North Dakota, and that is because, you know, for all the issues in Texas, and flaring is a problem there, the regulatory presumption is not to allow flaring, and to do so only in limited and very time limited circumstances.

In North Dakota, you have a situation where, while the regulations on the books are not necessarily bad, the way that they are enforced, and the high degree of exemptions that are granted, mean that, essentially, you know, industry has carte blanche to flare certainly for up to a year, and
often beyond that. So I think, you know, the fact that flaring is cheap, and free, and easy, certainly means you are going to get a lot more of it.

Mr. {Waxman.} So instead of investing in infrastructure that would be necessary to capture the gas, companies choose to flare it off, where regulations allow them to do so?

Mr. {Logan.} That is right. And it is a billion dollar a year opportunity in somewhere like North Dakota, once you factor in the value of the liquids. And, you know, as I mentioned in my opening remarks, there is a lot of innovation going on in North Dakota. I mean, companies from, you know, small start-ups, to big companies like GE, coming up with new technologies to capture the gas, to liquefy it, to move it without pipelines. But without the right signals going to the market in the form of regulation, you know, none of that really gets off the ground.

Mr. {Waxman.} Now, Mr. Roldan, the upper Midwest has experienced significant shortages of propane this winter. Do you think it makes sense for oil companies to be flaring off natural gas liquids, like propane, that Americans need to heat their homes and farms, to dry their crops?

Mr. {Roldan.} Actually, that is a really good point. Consider the irony here. You are a North Dakota propane marketer, you are having trouble getting supply. You are
driving all the way to the Texas Gulf Coast to pick up a load of product, and you are driving through fields as the sky is lit up with flaring. It doesn’t make a lot of sense.

Mr. {Waxman.} Does anybody on the panel think this makes sense, to allow this kind of flaring? My time is up, almost, I have a few seconds left, but, Mr. Chairman, the wasteful and unnecessary flaring of natural gas is a serious problem. It has no place in a modern energy infrastructure. Mr. Rush, Ms. DeGette and I have previously requested that we hold a hearing on this specific issue.

I still believe the subcommittee should hold a hearing to get the facts regarding flaring, and to develop real solutions to the problem. So I want to reiterate that point to you. And it just seems to me there is a market failure, because even though they can make a lot of money, they are making more, or they are making enough, and not doing what they should be doing. And if the market is not working, that is when regulations step in. Yield back my time.

Mr. {Whitfield.} Thank you, Mr. Waxman, and thank you all for raising this issue in the hearing today. And at this time I would recognize the gentleman from Ohio, Mr. Latta, for 5--

Mr. {Latta.} Well, thank you very much, Mr. Chairman, and thanks very much for our witnesses for being here with
us. This is a really important issue because, in my
district, we have had a real issue with propane this winter.
Had a lot of meetings, a lot of discussions, and also here in
Washington with letters for the hours of service for folks,
and also we sent letters out on the issue of how much weight
a truck could be hauling at that time.
This week we also had a bill on the floor from Chairman
Shuster from the Transportation and Infrastructure Committee
that I was on the floor with, again, that, you know, it is a
real issue. I mean, looking at the Midwest, and we have had
a very, very cold winter.
If I could start with Mr. Whittington, you know, you
were talking about some of the barriers out there for
increasing storage for capacity out there. You know, what
could overcome that problem that we are having for storage?
Mr. {Whittington.} From my understanding, there is some
storage that is available. It has been checked, but there
are some regulatory things that are real fine line that is
not letting that storage come into play. So there are some
regulations that may be overregulating some of that kind of
stuff. The other thing is, and I appreciate the comments
from Congressman Waxman there, we need to look at the
infrastructure that is going to be coming out of the
Pennsylvania/Ohio/West Virginia stuff that is going to be
able to take care of the Midwest. We are just not there yet. It is 2 or 3 years away before we are going to be able to take care of that product.

The indication that we are getting, the industry has been looking at that, and once that is up and going, you are going to have an oversupply in the Midwest. This is all new. It has never been here before. And that is what has really causing a lot of problems.

Mr. {Latta.} Mr. Roldan, you know, if I can go back to you, I know that the gentleman from Illinois was asking this question to you about the Finger Lakes, and the storage potential up there. Can you talk about how this proposed facility would help, and what has been the delay in getting it done?

Mr. {Roldan.} Yeah. It is private investment, private capex, 88 million gallons of storage in the Finger Lakes region. It is ready to go right now. We have been waiting on the decision from the governor for quite a long period of time. I am not here to be critical, but I just want to emphasize how different the situation would have been this year if we had that 88 million gallons of storage. Because what the forced people to do without it, in the Northeast, is to travel to western supply hubs, like Sarnia, Ontario, which also supplies the Midwest, and compete with Midwestern
marketers for product in Sarnia. It also required
Northeastern marketers to go south, and compete with
Southeastern marketers for product off the Dixie pipeline.
So you are talking about storage that could have helped
alleviate the situation not just in the Northeast, but in the
Midwest and the Southeast as well.
Mr. {Latta.} Thank you. And also, Mr. Santa, I figured
I would ask this question. You know, we are talking about
where it is in the country you see the greatest demand for
new pipeline development, it was just brought up by Mr.
Whittington, especially in Ohio, with the Utica Shale, and
over in Pennsylvania, with the Marcellus. Where do you see
in the next 10 years that we are going to have to have a lot
of pipeline development in this country to really move that
product where it needs to be?
Mr. {Santa.} That is a very good question, and it is
one of the things that will be addressed by the INGAA
Foundation study that is going to be released on March 17.
However, looking in the nearer term, I note that I saw a
recent financial analyst report that noted that within the
next 3 years there was going to be nine billion cubic feet of
proposed new pipeline capacity that could enter service to
transport Marcellus Shale natural gas.
Some of that will be transporting the gas to markets in
the Northeast and the Mid-Atlantic, but a lot of it will be taking that supply to the Southeast and the Gulf Coast, because the Marcellus production is literally overwhelming the demand in the Mid-Atlantic and Northeast markets. The demand is largely industrial, some electric generation, but also some anticipation of LNG exports.

Mr. {Latta.} Thank you. And, Mr. Black, also in your testimony you stated that the country would benefit from more pipeline capacity. What do you see that needs to be done to get that capacity?

Mr. {Black.} Well, just like Don Santa said for natural gas pipelines, there is a need for new liquids pipelines for increased crude oil production. That is North Dakota, the Utica, hopefully, and Texas. Similarly, natural gas liquids. The phenomenon he is talking about, and Mr. Whittington talked about, about the Marcellus Shale, and the overwhelming production there, means there is a need to move more natural gas liquid products to where industrial workers can add value to them.

So throughout a lot of the country, because of our energy revolution that we are having, there is more that needs to be built. Oil and Gas Journal estimated last year $23 billion on liquids pipeline projects, and when I talked to execs, we find that that is probably low. There are
thousands of miles of pipeline projects that are on the books today. We would be delighted to build some more capacity for propane shippers who want to sign up for long term service as well.

Mr. {Latta.} Thank you very much. Mr. Chairman, I see my time has expired, and I yield back.

Mr. {Whitfield.} Well, thanks very much. Mr. Roldan, I just want to follow up with one question. I am not an expert in this area, but I have been told that in Texas the natural gas is wet natural gas, and that up in the Dakotas it is more of a dry natural gas, and therefore there is more propane in the wet natural gas. Can you elaborate on that, or am I--

Mr. {Roldan.} Actually, that is not my understanding, Mr. Chairman. I think the natural gas in all the northern formations is pretty wet.

Mr. {Whitfield.} In the northern formations it is--

Mr. {Roldan.} That is correct. In fact, when you look at the commodity price of natural gas which is down here, it is actually the value of the gas liquids, the propane, I think, that is driving production.

Mr. {Whitfield.} Okay. Holding the value that is--

Mr. {Roldan.} Value of the gas liquids.

Mr. {Whitfield.} Okay. All right. Well, I think that concludes today’s hearing. Once again, I want to thank you
all for your patience, and it has really been enjoyable being
with you the last 3-1/2 hours here. And we look forward to
working with all of you as we move forward on this very
important subject matter. And, with that, the hearing record
will remain open for 10 days, and if we have any additional
questions, we will get them to you, and would appreciate your
response. So that concludes today’s hearing. Thank you very
much.

[Whereupon, at 12:03 p.m., the Subcommittee was
adjourned.]