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April 23, 2019

The American Petroleum Institute<sup>1</sup> submits these comments in opposition to the package of bills (H.51, H.175, H.214) proposing to limit or ban new energy infrastructure. Energy is crucial to our standard of living, and one of the most environmentally friendly and safest ways to transport it is via pipeline. Legislation preventing new infrastructure fails to account for unexpected changes in the energy landscape, limits new sources of fuel, and could put Vermonters at risk of future energy shortages. New England is at the end of the energy pipeline and needs more energy, not less. Energy projects require long lead-times due to complex and comprehensive regulatory requirements governing permitting and construction requirements<sup>2</sup>; therefore, we request the General Assembly to refrain from making them any more difficult than they already are. The proposals do not recognize that substantial steps are underway to reduce the impact of climate change from carbon emissions.

The bills are clearly aimed at curbing pipelines and related projects such as compressor stations, yet pipelines remain the primary delivery system for energy products within the U.S. Currently, the U.S. has over 500,000 miles of crude oil, petroleum product and natural gas pipelines, and that number continues to grow steadily, as evidenced by a 13 percent increase over the last five years. Industry has a steadfast commitment to safe operations: 99.999 percent of those products are delivered safely.

### **Key Points in Opposition**

**The Region Needs More 24/7 Baseload Energy:** New England electricity grid operator ISO-NE said in its new outlook: “Until electric storage or other technologies have the ability to supply quick energy for longer periods and in greater quantities, flexible natural-gas resources are a necessary element of the hybrid grid, not only to help the “missing energy” when the weather is uncooperative for wind and solar resources, but also to provide the precise grid-stability and reliability services that renewables cannot generate.”<sup>3</sup> Said ISO: “The grid may not be able to supply enough energy to meet electricity demand....Year-round energy security will need to be addressed as the operational dynamics of the hybrid grid take hold.”<sup>4</sup> Vermont is one of the six New England states that procures its electricity from the grid, and the only feasible and affordable way to provide on-demand backstops for variable wind and solar energy is to operate power plants fueled by natural gas. New England relies on natural gas to provide about 50 percent of the region’s electricity, up from 15 percent in 2000.

**There Is Strong Demand for Natural Gas Throughout the Region:** Natural gas is in high-demand because it is a plentiful, low-cost, low carbon-emitting fuel produced domestically in Pennsylvania, Ohio and West Virginia and easily transported to New England via pipeline. Production leads to jobs and tax dollars being generated in the U.S. while helping achieve our country’s long-standing goal of greater energy independence. According to the New England Gas Association, the number of homes heated with natural gas in Vermont has more than



doubled since 1990, from 8 percent of all homes to 18 percent in 2017<sup>5</sup>, and that additional baseload requires more natural gas pipeline capacity, which is why legislation inhibiting expansion should be rejected. Homeowners in the future may want to convert from wood or pellets to natural gas, and that could require even more pipeline capacity. Legislation barring new energy infrastructure impedes that switch.

**Additional Energy Infrastructure Can Help Alleviate High Prices:** New England consistently has the highest regional electricity prices in the contiguous United States, and there is a very strong link between natural gas availability and electricity prices. The markets are themselves signaling the need for more electricity and natural gas: During the two-week cold snap that began on December 25, 2017, natural gas “spot prices” in New York City, New England and the MidAtlantic set all-time record highs, with next-day trades reaching as high as \$175 MMBtu in New York City on January 4, 2018, according to the Federal Energy Regulatory Commission (FERC),---many times greater than the usual price of around \$4-\$5 at that time of year. Day-ahead electricity prices hit \$177 per MWh between December 28, 2017 and January 7, 2018, with a peak price of \$320 per MWh at ISO-NE’s internal hub. Those prices are astoundingly high. More natural gas and energy infrastructure will help stabilize not just the natural gas market, but also the electricity market, helping all Vermonters.

**Vermont Has A Strict Set of Renewable Portfolio Standard Rules, But There Is No Assurance the State Will Meet Them; It Makes Sense to Keep Natural Gas in The Mix.** V.S.A Sec. 8002-8005 establishes an aggressive renewable energy standard (RES) that Vermont electric distribution utilities (DUs) are required to meet. Under the RES, Vermont’s distribution electric utilities (DU’s) must procure a defined percentage of their total retail electricity sales from renewable energy. The requirements of the RES are broken into Tier I, II and III categories. [The law requires Tier 1 renewables by 2032 to be 75% of the generation mix, Tier II to be 10% and Tier III to be 12%.] If those requirements become prohibitively expensive or economically unviable, if they become physically unattainable, or if unforeseen circumstances develop (especially as they relate to hydropower), the state is left without a practical alternative if new energy infrastructure is banned. It’s important to make sure there are safeguards in place, and energy pipelines and infrastructure provide that safely and efficiently.

Thank you for considering our testimony. Please do not hesitate to contact us if you have questions or comments.

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<sup>1</sup> The American Petroleum Institute is a trade association representing all facets of the oil and natural gas industry; it supports 10.3 million U.S. jobs and nearly 8% of the U.S. economy. API’s 625 members

include major oil companies, exploration and production companies, refiners, pipelines, and service & supply firms in the energy business. They provide most of the nation's energy and are backed by a growing grassroots movement of 47 million Americans.

<sup>2</sup> Oil pipeline safety is regulated by the Pipeline and Hazardous Material Safety Administration (PHMSA) using a holistic approach to safety: prevention, mitigation and response, while natural gas pipelines are regulated by the Federal Energy Regulatory Commission (FERC).

<sup>3</sup> ISO-NE 2019 Regional Electricity Outlook, p.17

<sup>4</sup> ISO-NE 2019 Regional Electricity Outlook, p.32

<sup>5</sup> Northeast Gas Association 2018 Statistical Guide