



Natural Gas Infrastructure Policy Development 2014

Issue:

One of the recommendations in the Governor's Rural Challenge is to advance agriculture, natural resources and rural infrastructure as Tennessee business priorities. Agriculture is highly dependent on energy and a clean, efficient, and cost effective energy supply is required in all types of commodities. The availability of abundant domestic natural gas supplies has driven down the cost of natural gas and makes it very competitive as an energy source for irrigation, heating of poultry and livestock barns, transportation, and other needs for agriculture. Natural gas is also considered a clean energy which will reduce regulatory burdens in the future. If agriculture is to benefit from natural gas, the rural infrastructure for natural gas will need to improve. This will take funding, planning, policy changes, and regulatory changes to accomplish this goal.

Questions:

Is the natural gas infrastructure in your county adequate to meet the energy needs of farmers?

Is natural gas a long term solution for cost effective energy needs on farms?

Will clean air regulations force the farm community to use more clean energy such as natural gas in the future?

Are farmers willing to pay to expand the natural gas infrastructure to rural areas?

Background:

Natural gas supplies have rebounded over the last decade due to exploration and new technology. Large deposits of natural gas have been discovered in states such as Texas, Louisiana, and Arkansas. Studies indicate there are 2,200 trillion cubic feet of gas available which is enough to satisfy nearly 100 years of current U.S. natural-gas demand. Behind coal, natural gas is the largest energy source in the U.S. providing approximately 21 percent of the nation's energy needs.

Natural gas is considered the cleanest burning fossil fuel and the costs compared to other fossil fuels are extremely competitive. Because it is a clean fuel with ample supplies, natural gas is replacing coal in electric generation plants to meet air quality regulations. Other sectors of industry are using natural gas to meet regulatory standards and cost controls. The major car manufacturers also have plans to increase production of natural gas vehicles available for consumers.

The advantages of natural gas can be a benefit to agriculture. Cost is the most significant benefit. The U.S. Department of Energy estimates the cost per gasoline gallon equivalent of natural gas to stay below \$2.00 past the year 2025. Gasoline and diesel are expected to exceed \$5.00 per gallon past 2025. Using natural gas long term for energy needs is expected to cost significantly less than traditional fossil fuels. Another advantage is supply. During the winter of 2013-14, propane gas supplies for poultry houses and other uses fell to extremely low levels. Propane is mostly transported by truck or rail and the supply line for propane could not

keep up with demand. As a result, many poultry producers installed natural gas lines and now rely on a steady, dependable natural gas supply from their local utility district.

The natural gas infrastructure is not designed in many places to provide service to farmers in rural areas. Historically, farmers in general have not relied natural gas and instead rely on propane. However, propane may not be the most cost efficient fuel source in the future for uses such as irrigation, grain drying, heating, and transportation.

Farm Bureau Policy:

Energy (Partial)

The United States needs an energy policy that emphasizes expanded production of all forms of energy, including nuclear and hydrogen energy and the development of new forms of energy. Conservation alone is not the solution to our energy problem.

Market demand for energy will provide incentives for increased energy production and expanded research efforts. However, in the absence of truly competitive energy markets effective government regulations of price and terms are a necessity.

Impractical regulations at all levels of government create additional energy costs and discourage the development of energy sources.

Government and private industry should work together in Tennessee to develop the market in new areas and develop methods by which supplies may be fed into the total energy supply system and made available to our citizens.

The United States has huge energy resources. Tennessee Farm Bureau strongly supports increasing domestic production of all energy resources. We support the use of hydraulic fracturing to extract natural gas and oil. We believe the development of new technology and research in hydraulic fracturing is of vital importance to maintaining our domestic energy supplies.

We strongly support and encourage offshore oil drilling, drilling for oil in Alaska and in the oil shale areas of the western U.S., all to be done in an environmentally friendly way in order to reduce our dependence on foreign oil. While much can be done in the area of conservation (U.S. agriculture has become 30% more energy efficient over the last 20 years), this nation cannot “conserve” its way out of this crisis. It must be a combination of conservation, alternative energy sources and a significant increase in domestic production of traditional energy sources such as oil and natural gas.