

EnergyPolicyForum

Opening Statement for Senate Committee on Energy and Natural Resources, 21 May, 2013

Mr. Chairman, Senator Murkowski and members of the committee, thank you for inviting me here today. My name is Deborah Rogers and I am Executive Director of EnergyPolicyForum.

Exportation of shale gas opens up many interesting, critically important questions. It is precisely for this reason that sensible and reasonable debate *should* occur before we commit billions of dollars and years of investment in an energy policy that will serve few of us. Unfortunately, debate has been subsumed by the cacophony of voices that would have us believe that shale gas is abundant, long lived and will defy pricing pressures for decades to come. This is simply not true.

Shale wells deplete alarmingly. Overall field declines are running at the troubling rate of 30-50% per annum. It will take approximately 7000 new wells every year at a staggering cost of about \$42 billion simply to maintain a flat production profile. Moreover, every shale gas play in the U.S., with the exception of the Marcellus, has already peaked and is in decline. Some have gone through almost a complete life cycle in a matter of a mere five years or so, negating entirely the notion of plentiful supply for 30, 40 or even 50 years. Even the Marcellus is showing signs of late middle age.

Financially, shale gas companies are struggling. The popular notion that these companies intend to provide a cheap and abundant product out of the goodness of their hearts to effect a manufacturing renaissance is nonsensical. Companies are in business to make a profit, not provide cheap inputs to the detriment of their own bottom line.

Maintaining a flat production profile for any meaningful period of time in shale plays has proved elusive for these companies. So it would seem absurd to expect significant growth in production which will be needed to meet contractual obligations of exportation and the burgeoning energy demands of foreign economies. The collateral damage in the form of air toxics, ground water depletion, encroachment, road damages and potential aquifer ruination in the United States could be immense and will only continue to rise as more and more wells need to be drilled. None of these externalities are at present fiscally covered. In other words, profits are to be privatized while costs and negative impacts will be socialized.

Natural gas is a finite resource. There is no way round this. Therefore, it would seem eminently more sensible that American natural gas be used to produce American products, provide American jobs and bolster investment in plant and equipment in the

United States as we transition to a more sustainable, and hopefully less finite, energy economy.

Thank you.