



Via Electronic Filing

GCC.guidance@ceq.eop.gov

May 24, 2010

The Council on Environmental Quality
Attn: Ted Boling
722 Jackson Place, NW
Washington, D.C. 20503

RE: AGA Comments on CEQ's National Environmental Policy Act (NEPA)
Draft Guidance, "Consideration of the Effects of Climate Change and Greenhouse Gas
Emissions," 75 Fed. Reg. 8046 (Feb. 23, 2010)

Dear Mr. Boling:

The American Gas Association (AGA) appreciates the opportunity to comment on the Council on Environmental Quality's (CEQ) Draft NEPA Guidance on the "Consideration of the Effects of Climate Change and Greenhouse Gas Emissions," referenced above (Guidance).

The American Gas Association, founded in 1918, represents 195 local energy companies that deliver clean natural gas throughout the United States. There are more than 70 million residential, commercial and industrial natural gas customers in the U.S., of which 91 percent — more than 64 million customers — receive their gas from AGA members. AGA is an advocate for natural gas utility companies and their customers. Today, natural gas meets almost one-fourth of the United States' energy needs.

AGA and its members have an interest in this proposed Climate Guidance because it could affect our members' operations and their commercial and industrial natural gas customers. Our natural gas utility members construct and repair distribution pipelines and other facilities to provide safe and reliable natural gas service to home and business customers, and sometimes these projects require permits from federal agencies. Examples include permits from the U.S. Army Corps of Engineers for stream and wetland crossings, and consultations with the U.S. Fish and Wildlife Service regarding impacts on threatened and endangered species. Most natural gas utility projects do not have "significant" environmental impacts and do not require the permitting agency to conduct full NEPA analysis. Our members use best management practices during and after these brief, linear projects to restore natural contours and vegetation and to protect the environment. As a result, most natural gas utility projects usually have minimal environmental impacts. However, some larger gas distribution or transmission projects to install or repair our buried pipes may trigger an environmental assessment (EA) or full environmental impact statement (EIS). We are concerned about how the proposed Climate Guidance could affect federal permitting decisions for such natural gas pipe projects as well as the installation or modification of natural gas combustion equipment by commercial and industrial customers.

NEPA Should Not Be Used To Require Greenhouse Gas Emission Reductions

NEPA is a procedural statute. NEPA's purpose is to ensure that federal agencies make informed decisions, not to direct what the agency must decide based on the information. The introduction to the proposed Climate Guidance states that "CEQ proposes to advise Federal agencies that they should consider opportunities *to reduce GHG emissions* caused by proposed Federal actions [which would include projects requiring federal permit decisions]" We are concerned that the proposed Climate Guidance will be used as a back-door to impose mandatory federal greenhouse gas emission reductions, for example through mitigation required as a quid-pro-quo in order to obtain a finding of no significant impact (FONSI) and avoid the project delays inherent in full EIS analysis. The goal of reducing greenhouse gas emissions through mandatory emission limits should be accomplished through comprehensive national climate legislation, rather than through this procedural statute.

Project Emissions Less than 100,000 TPY Should be Deemed Insignificant

The proposed Climate Guidance states that CEQ does not propose to establish a significance threshold at 25,000 metric tons per year (tpy) of carbon dioxide equivalent GHG emissions. See pages 1-3. The document says that

"[t]he reference point of 25,000 metric tons of direct CO₂-equivalent GHG emissions may provide agencies with a useful indicator – rather than an absolute standard of insignificant effects – for agencies' action-specific evaluation of GHG emissions and disclosure of that analysis in their NEPA documents. CEQ does not propose this reference point as an indicator of a level of GHG emissions that may significantly affect the quality of the human environment, as that term is used by NEPA...."

Climate Guidance, p. 3. AGA agrees that emissions above 25,000 metric tpy should *not* per se trigger a finding of significant impact, however, this threshold is too low in light of EPA's recent decision in the climate change "PSD Tailoring" Final Rule to establish a 100,000 short ton, potential to emit threshold for requiring projects to have permits for emitting greenhouse gas emissions. We support deeming emissions below this PSD Tailoring threshold of 100,000 tpy to be considered insignificant.

Lifecycle GHG Emissions Should be Considered

To the extent that permitting agencies consider the impacts of large industrial or commercial projects on greenhouse gas emissions, they should consider lifecycle emissions, not just emissions at the site. Otherwise, the NEPA process could perversely discourage the direct use of energy-efficient natural gas equipment in distributed, combined heat and power applications at commercial and industrial facilities. Why would a commercial or industrial customer install efficient natural gas equipment if that might trigger permit changes, project delays and additional costs for preparing and defending NEPA documents, if they could avoid that burden by installing electric equipment instead? But that decision to purchase electric power instead of installing efficient natural gas combined heat & power (CHP) could well increase overall GHG emissions.

Up to 70% of the energy in the combusted fuel is lost during this process of generating electricity. The most accurate measure for energy efficiency and carbon footprint of appliances

is a life cycle or “source energy” analysis. This was the recommendation of a recent National Academy of Sciences (NAS) study.¹

EPA Energy STAR also uses this method for measuring the energy efficiency and carbon footprint of commercial buildings. As EPA explains on its Energy Star website for commercial buildings:

“Source energy represents the total amount of raw fuel that is required to operate the building. It incorporates all transmission, delivery, and production losses, thereby enabling a complete assessment of energy efficiency in a building.”

Where natural gas can be used directly, this makes more sense than to burn it first at a power plant and then transport the electricity to serve the same need. A life cycle or source energy analysis demonstrates that even if a power plant uses clean natural gas, it will have to combust more natural gas and produce more emissions to provide the same energy needs at the customer’s facility. In fact, it takes at least double -- if not triple -- the amount of natural gas combusted at a power plant to serve the same load that can be served by combusting natural gas directly at the customer’s site. Emissions of nitrogen oxide, sulfur dioxide and CO₂ of course will be that much higher if the regional mix of generation serving that residential or commercial customer includes coal-fired power plants. Approximately 90% of the energy value of natural gas is delivered to consumers when used directly at the customer facility. In contrast, less than 30% of the primary energy involved in producing electricity reaches the consumer.

The attached slide from the Gas Technology Institute (GTI) graphically illustrates the large amounts of energy that are lost upstream of the customer at power plants and through transmission line losses. A recent study by GTI demonstrated that switching from electric to natural gas equipment would *significantly reduce national CO₂ emissions* due to the greater life cycle efficiency of using natural gas directly in customer facilities.² In contrast, fuel switching in the other direction -- from natural gas to electric equipment -- would *significantly increase* national lifecycle CO₂ emissions, and this unfortunately is what could happen if natural gas customers fear that using natural gas equipment could trigger lengthy NEPA review due to site-based emissions -- even though overall full fuel cycle emissions would be reduced. This will not be a concern if agencies are encouraged to evaluate emissions on a full fuel cycle basis rather than just at the CHP project site.

¹ The NAS report is provided at: <http://www.aga.org/NR/rdonlyres/FC89C48D-6E72-423C-B48C-55241FAD66FD/0/DOEEERELetterReportfinal.pdf> .

² See Validation of Direct Natural Gas Use to Reduce CO₂ Emissions Report (June 26, 2009), prepared by Gas Technology Institute, page 12 (section 4.3), available online at: <http://www.aga.org/NR/rdonlyres/6D433449-68DE-47F1-B4B5-CE861FED0082/0/0709DIRECT.PDF>

AGA appreciates the opportunity to comment on the Climate Guidance. If you have any questions, please contact me placey@aga.org.

Respectfully submitted,

AMERICAN GAS ASSOCIATION

A handwritten signature in black ink that reads "Pamela A. Lacey". The signature is written in a cursive, flowing style.

By: Pamela A. Lacey
Senior Managing Counsel, Environment
American Gas Association
400 North Capitol Street, NW
Washington, D.C. 20001
(202) 824-7340
placey@aga.org