Chairman Doug Ose
Opening Statement
LNG Import Terminal and Deepwater Port Siting: Federal and State Roles
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The transformation of the U.S. natural gas industry to a healthy, efficient, competitive state has been a decades long and sometimes contentious process of interdependent changes in law and innovation by industry. Nationally, we moved from a balkanized and improperly regulated industry to a free market model, which brought lower prices.

Nevertheless, as witnessed recently and especially in certain parts of the country, natural gas prices levels are vulnerable to shortage. The 2000-2001 California electricity crisis was exacerbated by the deficiency in natural gas supply. Recent harsh winters in the Northeast depleted natural gas in storage and caused price swings, which were felt nationally.

The United States, especially California, is relying more and more on natural gas. It is the fuel-of-choice for electric power generation because it is reliable and is much cleaner than other fossil fuels. Natural gas is also used by individual citizens, and by industry, agriculture and transportation as a raw material. As a critical resource used throughout the economy, shortages in natural gas have a more profound impact than most other commodities.

North American natural gas fields are depleting at an increasing rate. Even if some new domestic natural gas comes onto the market, most experts believe that we will need even more. Pipeline imports from Canada make up about 15 percent of total U.S. consumption but, there too, experts anticipate diminishing sources.

California has reason for particular concern. In 2003, California produced only 17 percent of its natural gas consumption. More than half of California's electricity generation is based on natural gas. As coal plants are retired, this dependency will grow. California is especially subject to price fluctuation because it is at the end of the pipeline grid.

For the economy of California and the rest of the United States to flourish, there must be a plentiful, affordable energy supply. Without it, our economy will go into decline. I believe that increasing U.S. importation of liquefied natural gas (LNG) should be a component of the solution – either by on-shore or off-shore facilities.

Enormous quantities of natural gas are located in places from which it is impossible or impractical to export through pipelines. The solution is increasing shipment to the industrialized world in liquid form. One tanker can carry enough material to power 10 million houses.

Multiple Federal agencies have various authorities over LNG, including agencies in the Departments of Commerce, Defense, Energy (DOE), Interior, Homeland Security (DHS), and Transportation, and the Environmental Protection Agency, and the Federal Energy Regulatory Commission (FERC).

Today, we will discuss: (a) how the Federal and State regulatory framework is furthering policy goals, such as competitive pricing, regional supply, safety, and environmental integrity; (b) how the involved Federal and State agencies are working together; and, (c) how they plan to overcome what appear to be systemic barriers, such as local community fears and conflicting laws.

I look forward to the testimony of our witnesses. They include: Patrick H.Wood, III, Chairman, FERC; David Garman, Acting Under Secretary, DOE; Rear Admiral Larry Hereth, Director, Office of Port Security, U.S. Coast Guard, DHS; Jay Blossman, Commissioner, Louisiana Public Service Commission; Joe Desmond, Deputy Secretary, Energy, California Resources Agency; Kenneth D. Schisler, Chairman, Maryland Public Service Commission; Donald Santa, President, Interstate Natural Gas Association of America; and, Philip Warburg, President, Conservation Law Foundation.