Jeff Landry
Attorney General

State of Louisiana

DEPARTMENT OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL
P.O. BOX 94005
BATON ROUGE
70804-9005

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United States Senate
Committee on Environment
and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510
Via e-mail

United States Senate
Committee on Energy
and Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

Dear Dear Chairman Carper, Chairman Manchin, Ranking Member Capito, and Ranking Member Barrasso:

Yesterday, Louisiana joined with 19 States in opposing a misguided, job-killing, environmentally disastrous proposal to add a "Methane fee" for each ton of methane emissions. Specifically, in the Senate, the Methane Emissions Reduction Act proposes to charge oil and gas producers $1,800 per ton of methane emissions beginning in 2023. A similar provision in the House's version of the Build Back Better Act proposes a $1,500 "fee"—really, a tax—for each ton of methane emissions. We agree, join our sister States in the comments submitted in that letter, and submit these additional comments.

North America is currently heading into what is referred to as the "heating season," where natural gas is pulled from underground storage to supplement production for heating uses, among other end uses. Current natural gas storage levels are considerably below historical levels. Among the lower 48 states, working gas in underground storage is 13.9 percent lower than last year and 5.1 percent lower than the five-year average.[1] Natural gas supplies are not only tight within the U.S., but globally as well. A combination of factors - droughts in Asia and South America,[2] failures of wind generation to deliver to the grid in Europe,[3] coal shortages in Asia,[4] and other factors - are putting pressure on natural gas supplies globally. Subsequently, this is likely to be a very challenging winter for global energy supplies.

As a result of such conditions, natural gas prices are at recent historical highs not seen since the last recession (2008-2009). Most recently, in October 2021, natural gas futures prices reached

[1] Energy Information Administration. Available at: https://ir.eia.gov/ngs/ngs.html
[2] Finely, Allysia. "Climate Policy Meets Cold Reality in Europe." Wall Street Journal. September 27, 2021. Available at: https://www.wsj.com/articles/climate-policy-reality-europe-energy-costs-gas-coal-11632754849.
[3] Blackmon, David. "Winter Is Coming: Can Energy Catastrophe Be Averted?" Forbes. October 3, 2021. Available at: https://www.forbes.com/sites/davidblackmon/2021/10/03/winter-is-coming-can-energy-catastrophe-be-averted/?sh=6099736436bd
[4] He, Laura and Suri, Manveena. "China and India face a deepening energy crunch." CNN. October 12, 2021. Available at: https://www.cnn.com/2021/10/12/economy/china-india-coal-power-shortages-intl-hnk/index.html

their highest level since January 2009.[5] Applying the proposed methane tax during the upcoming heating season, and in the face of such challenging conditions, will discourage production and guarantee higher natural gas production costs, which, in turn, will be passed along to consumers in the form of higher heating bills for residential customers.

Louisiana is a major natural gas producer in the Outer Continental Shelf ("OCS") and, more importantly, from the Haynesville shale. This tax will hurt the State's producers and deliver economic harm to Louisiana in the form of lower economic activity, lower state royalties from lower production, and lower state severance taxes from lower production. Louisiana uses natural gas within a variety of industrial processes - heat processing, steam processing, power generation, and for feedstock purposes - and is the second largest industrial user of natural gas in the U.S., accounting for nearly 14 percent of all U.S. industrial natural gas consumption.[6] As a result, this proposed tax would lead to reduced natural gas supplies, drive up prices, and hurt Louisiana's critical industrial sector.

Currently, Europe[7] and Asia[8] are experiencing high-energy prices and reduced energy supplies. Moreover, the U.K.[9] and China[10] are currently evaluating emergency subsidies and other financial bailouts for their chemical and other heavy industries due to such high-energy prices and reduced energy supplies. These are the predictable consequences of this ill-advised policy. This proposed methane tax will put the U.S. in a comparable position with regard to its industrial output – all at a time when it can least afford it and while the pandemic recovery for the balance of the year in the manufacturing sector is tenuous.

This proposed methane tax will not have positive impacts on the economic recovery. Instead, it will function as a tax on oil and gas producers, and, in turn, end users, who will be forced to pay higher utility bills and divert resources from other essential goods and services.

Electricity rates will also increase as a result of this tax. Natural gas facilitates power generation across the country "at the margin," and most regional power prices are set by natural gas prices. Therefore, if natural gas supplies are reduced, or if the costs of natural gas suddenly increase, power prices over the winter will increase. This is particularly problematic for states along the Gulf Coast, such as Louisiana, Texas, and Florida, all of which use disproportionately high shares of clean burning natural gas to generate electricity. Louisiana, for instance, generates about *70 percent* of its power generation from natural gas fired generation.[11] Thus, in addition to natural gas

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[5] Energy Information Administration. Available at: https://www.eia.gov/dnav/ng/hist/rngc1W.htm
[6] Energy Information Administration. Available at: https://www.eia.gov/dnav/ng/ng_cons_sum_dcu_SLA_m.htm
[7] "Europeans brace for hard winter as energy price surge hits households." DW. September 21, 2021. https://www.dw.com/en/europeans-brace-for-hard-winter-as-energy-price-surge-hits-households/a-59246714
[8] Eaton, et al. "Natural-Gas Shortage Sets Off Scramble Ahead of Winter." Wall Street Journal. October 7, 2021. Available at: https://www.wsj.com/articles/natural-gas-shortage-sets-off-scramble-ahead-of-winter-11633635902
[9] "UK working on support for energy-intensive industries, minister says." Reuters. October 10, 2021. Available at: https://finance.yahoo.com/news/uk-working-support-energy-intensive-095822575.html
[10] ZHENHUA, Lu. Nikkei Asia. October 11, 2021. Available at: https://asia.nikkei.com/Spotlight/Caixin/China-raises-cap-on-electricity-prices-to-tackle-power-shortage
[11] Energy Information Administration. Available at: https://tinyurl.com/ephcrbkn

heating bill increases, households and businesses are set to see increases in their electricity costs as a result of this tax.

The proposed tax will also harm the utility sector, which is already reeling from the pandemic and the impacts of Hurricane Ida.

Lastly, from a reliability perspective, this action is highly problematic. In the face of last year's catastrophic winter storm (Uri), which resulted in hundreds of deaths and tens of billions of dollars in damages, the U.S. should be focused on enhancing energy resiliency and reliability. The proposed tax does exactly the opposite; it will contribute to reduced natural gas supplies and create additional stresses in the event of catastrophic weather later this winter. And to make matters worse, meeting these needs with the acquisition of energy from other nations will only result in more damage to the environment, not less.

It is clear that the proposed tax will have devastating and far-reaching impacts upon the residents of Louisiana. We urge the Congress to reject this ill-advised policy.

For Louisiana,

Jeff Landry
Attorney General

Cc:
The Hon. John Kennedy
The Hon. Bill Cassidy
The Hon. Steve Scalise
The Hon. Troy Carter
The Hon. Clay Higgins
The Hon. Mike Johnson
The Hon. Julia Letlow
The Hon. Garret Graves