



**Testimony for Senate Energy Committee Forum:  
Infrastructure, Transportation, Research and Innovation  
May 14, 2013**

Good Morning, Chairman Wyden, Ranking Member Murkowski and Members of the Committee. Thank you for the opportunity to be here today to discuss these important issues. My name is Rick Cargile. I am President Midstream for Energy Transfer Partners LP, but this morning I am testifying on behalf of the Gas Processors Association of which I serve as Vice President and Board member.

GPA is a non-profit trade organization made up of 127 corporate members focused on providing Midstream services to the U.S. energy industry. While GPA's membership accounts for 92% of all natural gas liquids (or NGLs) produced in the US, our association's membership is engaged across the entire midstream value chain. GPA member companies gather, treat, process and store natural gas; transport, store and fractionate NGLs; as well as provide gathering and storage of crude oil across all of the major basins in the U.S. The companies represented by the GPA own and operate over 290,000 miles of pipelines and related facilities with investments of \$76B and employ over 42,000 people.

I am speaking to you today regarding the impact of the shale technology revolution to the Midstream energy sector. The development of shale oil and gas reserves will require hundreds of billions of dollars of new Midstream infrastructure to insure oil and gas reserves are produced safely, effectively and efficiently. Shale development has in fact been fueling the U.S. economy over the last several years and is positioning the U.S. to achieve its goal of energy security.

In the 19<sup>th</sup> century, coal was the primary fuel source that drove the U.S. economy. In the 20<sup>th</sup> century, it was oil and, in the 21<sup>st</sup> century, oil has continued to be the primary fuel source. Today, however, the shale revolution has positioned natural gas as the number 2 source of energy which is cleaner burning and for the next 50 plus years will be the bridge that eventually could help this country realize its goals of energy sustainability, security, and independence.

Shale development has already created almost 2.5 million direct and indirect jobs and has significantly increased the velocity of money. Land owners are benefiting from mineral royalties, as well as water and land rights. State, local, federal, production and property taxes are being generated. New corollary infrastructure is also being developed, such as hotels, housing, roads, and restaurants. Demand has increased for equipment, steel, and production and processing facilities.

Over the last five years significant increases in natural gas shale production have resulted in much lower natural gas prices, which today are fully 75% less than they were in July 2008. Shale development has also contributed to less expensive petrochemicals (i.e. polyethylene and polypropylene), and lower fuel and power costs that have spurred U.S. manufacturing and lower overall emissions. In 2012, natural gas displaced coal consumption by approximately 6 Bcfd with 50% of the coal equivalent emission footprint. It has recently been reported that, in 2012, the U.S. recorded the lowest emission footprint for the last 20 years. Abundant, affordable and clean burning natural gas has resulted in less expensive automobiles and housing, and has led to increased exports improving the U.S. trade deficit over the last 4 years. The shale technology and infrastructure development has, in fact, been the country's real stimulus package. If not for shale development, the United States' economy, without question, would have experienced significantly greater downward pressure, possibly resulting in a double dip recession. GPA members include many Publicly Traded Partnerships (PTPs) which have been very effective since the tax reform of 1986/1987 in attracting capital to build midstream energy infrastructure needed for the US economy. During the Great Recession (2007-2012), midstream PTPs have invested \$88 Billion to maintain, expand and build new US energy infrastructure in support of the current shale revolution. Projections show the demand for the expansion of North American energy infrastructure to continue over the next 25 plus years. GPA supports continuation of the PTP section of the Tax Code 7704 for energy infrastructure development.

The primary challenge and obstacle to developing the infrastructure needed to support shale development is excessive and unnecessarily time consuming regulatory permitting processes. Progress is also being hindered by a continuous barrage of new and unnecessary regulations as well as reinterpretation of existing long standing laws including the Clean Air Act. Reasonable and responsible regulation is necessary; however, over-regulation and regulation driven by special interests, often creates unintended consequences, as well as obstacles and challenges that are counterproductive and which negatively affect public safety, the environment, and the economy. Inconsistent interpretation and implementation of existing rules and regulations within and between both federal and state agencies at the regional and national level also cause increased compliance costs and delay. The GPA welcomes clear and concise regulation and permitting which would allow Midstream companies to be a good neighbor in our communities by building safe, responsible investments that provide both short-term construction and long-term operational jobs. A clear "regulatory road map" would enable Midstream companies a necessary timeline to meet the needs of our customers.

The two primary regulatory areas of concern that impact the industry's ability to advance the infrastructure needed to keep pace with the shale development are permitting and enforcement. Long term permitting processes delay needed infrastructure which lead to increased safety risks, unnecessary emissions and lost economic value. This is evidenced by the amount of natural gas flaring presently taking place in key producing basins as a result of infrastructure delays. Permits that used to take 30 to 60 days now take up to 18 months, and major projects that were formerly executed within 12 months now take up to 3 years. Additionally, regulatory enforcement should be pursued only after the collaborative development of well-reasoned public policies, rules, and regulations. Enforcement should focus on "forward looking solutions" and not simply on "penalty and punishment." Unfortunately, overly restrictive regulatory permitting and enforcement continues to delay needed infrastructure development, which in turn raises the cost of doing business, exacerbates efforts to curb emissions, increases public safety risks, wastes energy, and decreases economic opportunities.

One specific area of immediate concern is Endangered Species Act (ESA) enforcement by the Fish and Wildlife Service (FWS). Species review and listing activity under the ESA are expected to increase dramatically as the FWS is required to review over 250 candidate species under a litigation settlement the Administration reached with non-governmental organizations in 2011. Listing proposals for over 100 species are now pending and the FWS must complete 130 candidate reviews by September 2013. This increased level of ESA activity and number of listed species will translate into a larger compliance burden, more litigation, and higher compliance costs for the gas processing industry, while having little to no impact on the preservation of endangered species. The following concerns about the environmental/FWS alliance to pursue listings through a “Sue and Settle” strategy need to be addressed: lack of transparency in the implementation of the candidate species listing settlement; speed and number of listings overall; and effects of species listings on access to, and management of, federal lands. Senator Cornyn and Rep. Flores have introduced bills (S.19/HR 1314) in this Congress to improve the listing process and the sue/settle pattern issue.

Changes to the Nationwide Permitting program of the Army Corp of Engineers and related state programs are another example of regulatory issues that increase our costs and delay infrastructure development. In 2011, the Baltimore, Philadelphia, and Pittsburgh Districts of the Corps published a notice that the Corps was issuing Pennsylvania State Programmatic General Permit No. 4 (“PASPGP-4”), to be effective July 1, 2011 for a five-year period. The new permitting procedures in PASPGP-4 made several changes to the previous procedures, including modifying the application of the term “single and complete project” and how to determine cumulative impacts of a project. These new requirements have led to substantial delay in permitting the minimal and largely temporary impacts associated with midstream pipeline projects, without increasing the protection of our waterways.

In 2012, the Army Corp of Engineers released the new 2012 Nation Wide Permit (NWP) that left the requirements for utility lines, including gas pipelines, largely the same, but includes new language addressing district engineers’ assessments of cumulative effects as part of their decisions on preconstruction notifications for linear projects. Under these new rules, in addition to independently considering each crossing as a “single and complete project,” the District Engineer will evaluate the cumulative impacts of all crossings in the proposed total project. Such an approach could result in an extended period of review of activities to be authorized under NWPs. It also could increase the likelihood that projects will either be subjected to further mitigation or required to apply for individual permits based on the District Engineer’s determination that the proposed activity is not eligible to be authorized under the NWP because there may be more than minimal cumulative adverse environmental impact.

The GPA is here today to suggest that expediting infrastructure capabilities is in the best interests of the American public. Appropriate permitting practices and effective enforcement will promote new investment, which will allow this country to reduce emissions, increase the demand for equipment and labor, promote energy security, increase U.S. exports, and improve the U.S. trade deficit.

Thank you for the opportunity to testify. I will be happy to answer any questions.

Richard A. Cargile, President Midstream, Energy Transfer Partners LP,  
Vice-President, Gas Processors Association