

## INCREASING ENERGY EFFICIENCY WILL REDUCE NATURAL GAS PRICES

A recent study by the American Council for an Energy-Efficient Economy (ACEEE) shows that increased use of energy efficiency and renewable energy would reduce consumption of natural gas and electricity, thereby lowering natural gas prices and reducing market volatility. The analysis found that even a modest reduction in natural gas consumption could cut wholesale prices by 20 percent in just 12 months. Over a period of five years, the cumulative savings to residential, commercial, and industrial consumers is estimated to exceed \$75 billion.

While energy efficiency and renewable energy generation cannot address future natural gas needs, they are often the quickest and most cost-effective ways to reduce demand as well as lower prices. The study highlights electric efficiency as an important component of the natural gas solution because much of the recent growth in natural gas use is due to new natural gas powered electricity generation.

In order to expand the use of energy efficiency and renewable energy, the report promotes several policy initiatives that are consistent with long-standing NAESCO positions that support the energy services industry:

- **Expand the use of state programs that set energy savings targets and/or provide a source of funding for implementing energy efficiency measures.** According to ACEEE, the state programs in California reduced peak electric demand by 11 percent and electricity sales by six percent during the 2001 energy crisis. Other states have achieved savings of about one percent per year. The study's authors found that programs which are financed through state system benefit charges or through electric and gas rates typically produce benefits on the order of two times the program costs, making them very cost-effective.
- **Increase federal funding for energy efficiency and renewable energy programs at DOE and EPA.** The authors recommend that the federal government provide additional direction and resources in order to encourage deployment of energy efficiency and renewable energy. The study cites two federal initiatives – Energy Star and Industrial Best Practices – as already having an impact in the marketplace.
- **Support of clean and efficient distributed generation.** The study recommends that federal and state regulators work together to establish consistent interconnection standards and procedures and remove tariffs and exit fees that act as disincentives to the development of distributed energy resources.

The report, entitled *Impacts of Energy Efficiency and Renewable Energy on Natural Gas Market*, can be downloaded in its entirety from the ACEEE Web site at <http://www.aceee.org/energy/efnatgas-study.htm>.