



Carbon Pricing Impacts on Natural Gas Pricing

Alliance of Western Energy Consumers

The Alliance of Western Energy Consumers (“AWEC”) has 55 member companies with facilities in Oregon, Washington and Idaho. Our members have over 100 facilities in Oregon that use natural gas to make products and heat space and water. In most cases, our natural gas consumers are using the energy source that causes the least pollution and is the most efficient way to melt or bend metal, operate a steam boiler, cook food, or fire a kiln by way of examples.

HB 2020 presents a new and very significant risk for natural gas consumers:

Commodity prices are now in the \$3.00 to \$4.00 range per MMBtu nationally and regionally and expected to stay there for the foreseeable future. If cap-and-trade is enacted in Oregon, that stability will be gone for natural gas consumers. In studies by every group that has looked at the bill over the past few years, allowance prices are all over the board. Forecasts are \$19 to \$25 per metric ton in the first year, \$25 to \$50 per metric ton in the mid-2020s, and \$40 to \$100 per metric ton ten years from today.

No one can responsibly forecast the price of natural gas, including allowance prices in the 2020s and beyond in Oregon if this system is imposed without exemptions and free allowances carefully allocated to avoid steep price increases and volatility.

Impacts of Carbon Pricing on Natural Gas Costs:

Allowance Price	Price in MMBtu	Allowance price as percentage of commodity price*
\$0	\$0.00	0%
\$10	\$0.53	17.7%
\$25	\$1.32	44%
\$40	\$2.12	70.7%
\$100	\$5.30	176.7%

*Assumes a \$3.00 commodity price per MMBTu

Our organization has a long tradition of supporting cost-effective investments that get real returns in energy efficiency and in lowering greenhouse gas emissions. **HB 2020, as introduced, does not meet that test for natural gas consumers.**