

Energy Efficiency for Natural Gas Markets

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Why energy efficiency?

- Ramps up relatively quickly
- Slows growth in natural gas demand
- Reduces impact of higher and volatile natural gas prices on consumer bills (gas and electric)
- Puts downward pressure on wholesale prices (gas and electric)
- Provides short-term and long-term benefits
- Is a very cost-effective resource
- Results in a more balanced, diverse, and resilient energy mix (less risk)

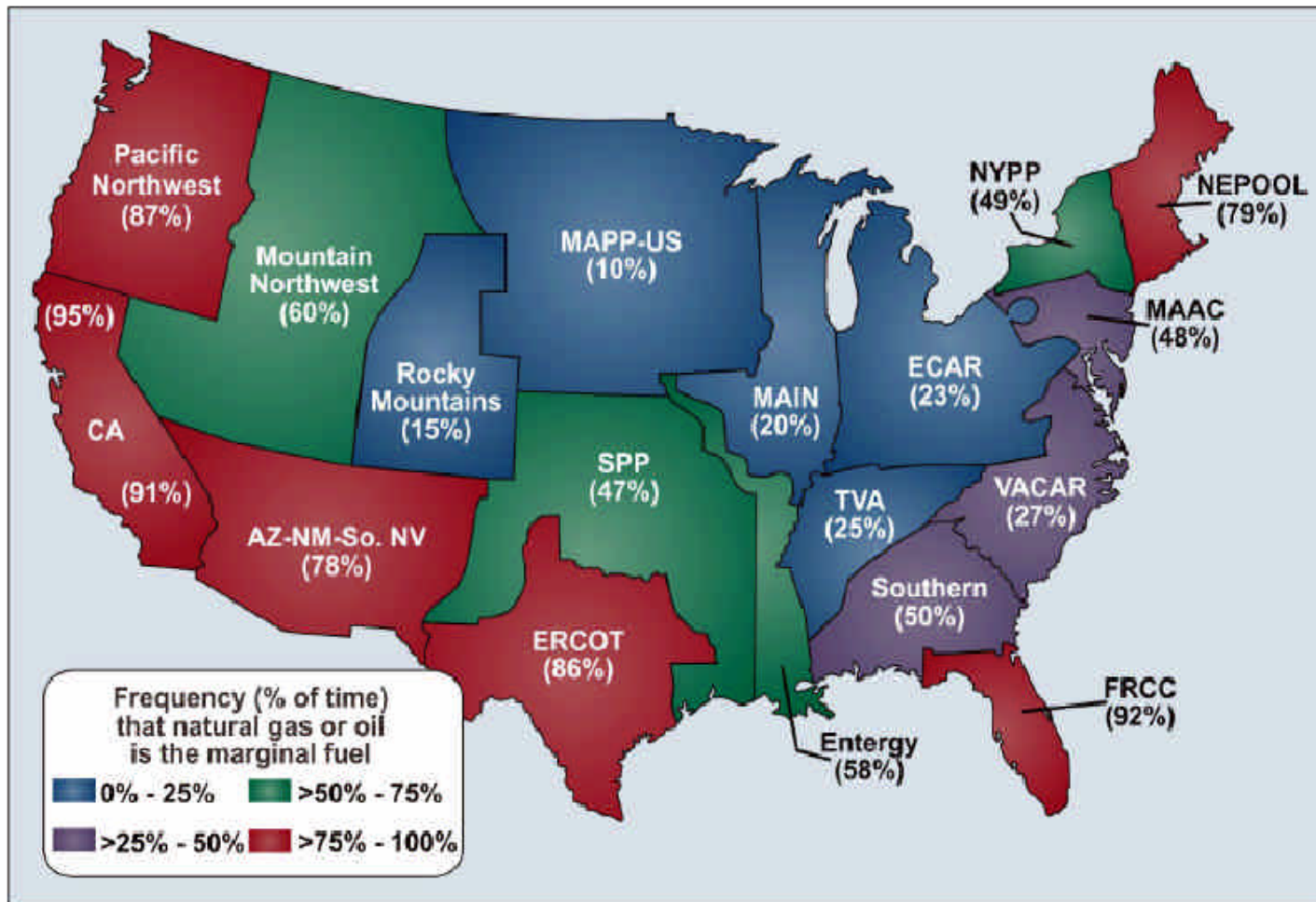
Natural gas energy efficiency

- Many natural gas EE efforts in the past
- Currently, natural gas distribution utilities in at least 9 states sponsor energy efficiency programs for their customers
- Effective programs offer financial incentives, technical assistance, and education
- Cost-effective measures in all sectors - residential, commercial, and industrial
- Heating, water heating, appliances, commercial furnaces & boilers, industrial processes, etc.
- Individual consumers could save 20% or more
- Proposal: save 1% of total gas use annually

Electric energy efficiency, too

- Electric generation is the main driver of higher natural gas demand; 97% of net growth in electric capacity since 1990 is gas-fired
- Electric energy efficiency reduces electric peak demand and consumption
- Cost-effective energy efficiency can reduce average annual load growth from 2.6% to 0.4% and avoid 17,000 MW of new plants (SWEET)
- EE is the most cost-effective resource
- Opportunities in all sectors for all end uses

Natural gas is often the fuel on the margin



Note: Percent of time natural gas or oil is projected to be on the margin in 2003.

FERC 2003 Summer Energy Market Assessment

What needs to be done?

- Invest in gas and electric energy efficiency
- Adopt Energy Efficiency Performance Standards and/or Systems Benefit Charges for programs
- Upgrade building codes, support code implementation, and adopt product standards
- Promote very efficient new buildings (“green”)
- Adopt “best practices” in the public sector
- Adopt utility rate, pricing, and market reforms
- Conduct informational/educational campaigns
- Offer customer bill discount programs
- Consider other demand management options