NATIONAL PROPANE GAS ASSOCIATION

Statement of the National Propane Gas Association (NPGA)

Joint Subcommittee Hearing on "Energy Tax Policy and Tax Reform" (September 22, 2011)
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Ways and Means Committee,
Subcommittees on Select Revenue Measures and Oversight

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Propane autogas is a clean, domestic, and abundant transportation fuel that is already displacing imported gasoline and diesel fuel across America. The National Propane Gas Association's (NPGA) core belief is that there is no credible policy reason to provide tax incentives for select alternative fuels and not apply the same incentives to propane autogas. This is particularly the case between propane autogas and compressed natural gas (CNG), our primary competitor in the alternative fuel vehicle marketplace. Any alternative fuel tax incentive legislation should abide by the principle of fuel neutrality, an equitable "all of the above" approach to fuel tax incentives that allows the market, rather than the government, to decide which applications are best.

This said, NPGA understands that politics can possibly override the value of fuel neutrality in energy tax policy. The *New Alternative Transportation to Give Americans Solutions (NATGAS) Act of 2011* (H.R. 1380) is emblematic of this political reality. Legislation such as the *NATGAS Act,* (or any other "single-fuel solution" legislation), is ultimately inadequate because it provides incentives solely to CNG vehicles and leaves out other viable, clean domestic fuels and vehicles, most notably propane autogas.

For certain, the NATGAS Act's ultimate goal of lessening U.S. reliance on foreign sources of petroleum is laudable and correct. But passing legislation that incentivizes only one fuel places Congress in the position of "picking a winner" among alternative transportation fuels. The NATGAS Act would effectively eliminate an entire class of alternative fuel vehicles from consideration by customers interested in moving beyond gasoline and diesel vehicles. NPGA strongly believes that alternative fuel choices should be made by consumers in the marketplace, by the companies and fleet managers across the country who are tasked with making individual decisions about which alternative fuels and vehicles suit their needs best. The government should not influence this process in one particular direction.

The propane industry is seeking parity in government treatment of alternative fuels, and particularly between propane autogas and CNG. In fact, we believe that, given a level playing field, propane autogas and autogas vehicles can win the alternative fuel marketplace, play a lead role in enhancing national energy security, help clean up our environment, and positively impact our economy. However, as an industry we also recognize that the value of parity in alternative fuel tax policy is not necessarily shared by every interest. For this reason, NPGA applauds the work of Representative John Carter (R-TX) and Representative Dan Boren (D-OK) in introducing the *Propane Green Autogas Solutions* (Propane GAS Act) *Act of 2011,* legislation that would extend for five years federal alternative fuel tax credits for propane used as a motor fuel ("autogas"), propane autogas vehicles, and propane autogas refueling equipment.

There are many reasons to support the *Propane GAS Act*. First and foremost, supporting H.R. 2014 is a vote for clean energy and American energy security. 90% of our nation's autogas is domestically produced and propane supply is expected to increase over the next several decades, guaranteeing consumer availability and price stability. In fact, in 2010 the North American market (U.S and Canada) was a net exporter of propane into the global marketplace. This is likely to continue as production of propane from shale gas formations increases. Propane autogas vehicles also provide substantial environmental benefits as they produce 20% less greenhouse gas (CO_2) emissions, and less particulate matter, carbon monoxide, and nitrogen oxide than gasoline engines.

The *Propane GAS Act* is also good fiscal policy. H.R. 2014 offers the kind of multi-year policy commitment necessary to encourage private investment, build fueling infrastructure, and bolster a burgeoning autogas industry that will provide an immediate return on taxpayer investment. This legislation puts incentives directly into the pockets of U.S. business vehicle fleets, making the switch to an American-made alternative fuel practical and with transparent policy benefits. Furthermore, the economic costs in the gasoline and diesel market that result from volatile oil prices are much higher than the relatively small investment necessary to jumpstart large-scale autogas vehicle deployment.

The *Propane GAS Act* also makes good common sense. Propane autogas provides one of the fastest returns on investment of any domestic alternative vehicle fuel and fleets that are early adopters of autogas vehicles are seeing significant long-term cost savings due to lower fuel costs. In addition, autogas vehicles are the only economically feasible light- and medium-duty alternative fuel vehicles that can be deployed on a large scale and achieve comparable performance to gasoline vehicles. Finally, propane autogas vehicles and related refueling infrastructure are affordable and available right now. In addition to a robust vehicle conversion market, both Ford and GM now produce propane vehicle platforms, and for $25,000 - $60,000 propane autogas refueling facilities can be quickly and easily installed.

Existing alternative fuel tax credits enacted in 2005 (which apply to all alternative fuels) toward the purchase of alternative transportation fuel, alternative fuel vehicles, and related refueling infrastructure have helped expand the entire alternative fuel vehicle market. Today more and more business and state/local government fleets are switching to clean burning domestically produced fuels like propane autogas and CNG. Given our country's continued reliance on foreign oil, it would be a mistake for the government to limit consumer choice in domestic alternative transportation fuels by passing the NATGAS Act into law and thereby anointing CNG as the alternative vehicle fuel of choice.

In sum, the propane industry supports parity in alternative transportation fuel tax policy. However, we are not blind to political reality. In our view, parity can be achieved via the sort of inclusive "fuel-blind" alternative fuel tax policy that has been place since 2005; it can be achieved by supporting both the NATGAS Act and the Propane GAS Act; or it can be achieved by including equal incentives for propane autogas and CNG into a single legislative vehicle. As an industry, we look forward to working with Congress as well as our partners in the broader alternative fuel industry to craft smart equitable solutions for the American public.

NPGA is the national trade association of the propane gas industry with a membership of approximately 3,200 companies, including 39 affiliated state and regional associations representing members in all 50 states. Although the single largest group of NPGA members are retail marketers of propane gas, the membership includes propane producers, transporters and wholesalers, as well as manufacturers and distributors of associated equipment, containers and appliances. More than 55 million households use propane gas for space heating, water heating, cooking, outdoor recreation, and other uses. Propane gas is also used in millions of installations nationwide for commercial heating and cooking, in agriculture, in industrial processing, and as a clean alternative engine fuel for over-the-road vehicles and industrial lift trucks.