



## **Statement of the National Propane Gas Association (NPGA)**

### **Subcommittee Hearing on “Certain Expiring Tax Provisions (April 26, 2012)**

#### **U.S. House of Representatives Ways and Means Committee, Subcommittee on Select Revenue Measures**

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The National Propane Gas Association (NPGA) and its members fully support H.R. 2014, the Propane Green Autogas Solutions Act of 2011. This bill, introduced last year, would extend three alternative fuel tax credits for the use of propane through 2016.

Two of the three provisions in the bill meet the definition of “tax extender” for purposes of the hearing held on April 26, 2012. Those two provisions are the alternative fuel credit (6426 (d)) and the alternative fuel vehicle refueling property credit (30 C). While the provisions in this bill apply to only propane, the goal of the propane industry is parity for propane with all alternative fuels in order to provide an equitable competitive environment. Therefore, NPGA would not object to the inclusion of other alternative fuels like natural gas within H.R. 2014.

The Propane Green Autogas Solutions Act (Propane Gas Act) of 2011 or “*Propane Gas Act*” would extend for five years the federal alternative fuel tax credits for propane used as a motor fuel, propane vehicles and propane refueling infrastructure. The bill was introduced by Representative John Carter, along with Representatives Dan Boren and Mike Rogers. It currently has an additional 23 bipartisan cosponsors. The economic analytical data being cited in this statement is based on all the provisions in H.R. 2014.

These tax incentives were originally created to stimulate a propane vehicle market in order to reduce U.S. reliance on foreign oil and reduce environmental impacts associated with gasoline and diesel fuel use. To date, these tax credits have been extended year-to-year. Congress should not wait to act until the credits are about to expire because market uncertainty regarding the credits undermines the effectiveness of the incentives and discourages the kind of investment that Congress wants the private sector to make in alternative fuels.

We believe the *Propane Gas Act* offers the kind of long-term policy commitment necessary to build essential alternative fuel infrastructure and bolster a burgeoning autogas market and will provide an immediate return on taxpayer investment. Experience in the industry shows that private investment is more likely to occur when the availability of long-term tax credits is assured. In this way the propane autogas industry is able to create the economies of scale necessary to make propane autogas a viable and competitive alternative fuel.

There are some unique qualities associated with propane when used as a motor fuel that make it every bit as practical and beneficial as the much heralded natural gas. In some instances propane is a better choice than natural gas. The propane autogas vehicle target market is commercial fleets where the impact on reducing imported fuel is large. Propane autogas vehicles produce 20% less greenhouse gas (CO<sub>2</sub>) emissions than gasoline engines. They also produce less particulate matter, carbon monoxide, and nitrogen oxide than gasoline or diesel engines. Propane vehicles and related refueling infrastructure are available now for fleet use. Both Ford and GM are producing propane vehicle platforms, and for \$25,000 - \$50,000 propane refueling facilities can be quickly and easily installed. Finally, propane is an American fuel. 98% of supply is produced domestically. Similar to natural gas, propane supply is expected to increase over the next several decades, guaranteeing consumer availability and price stability.

From an economic impact standpoint, the use of propane autogas tells a good story. According to an analysis conducted by the independent analytical firm ICF International, the outlook for propane vehicles has changed substantially in the last few years. The increase in crude oil prices, combined with growth in domestic propane supply associated with the growth of shale gas has reduced the wholesale price of propane relative to gasoline, and changes in propane fleet fueling business practices have changed the relationship between propane and gasoline prices for fleet customers. As a result, current delivered propane prices are typically well below gasoline prices for fleet vehicles after adjusting for differences in fuel efficiency.

Given the current energy price outlook, propane prices are expected to remain well below gasoline prices for the foreseeable future. In addition, federal government tax policies have promoted the development of new propane vehicles by offering significant tax credits for new vehicles and refueling infrastructure, as well as excise tax credits on fuel. These incentives have encouraged development of a number of new propane vehicles that have recently reached the market, or are expected to reach the market in the next two years. However, the new vehicle tax credit expired at the end of 2010, and the infrastructure and fuel excise tax credit expired on December 31, 2011. Propane vehicle sales will expand relatively slowly in the absence of the tax credits proposed in H.R. 2014 or other incentives. However, H.R. 2014 would have a significant impact on the number of propane vehicles sold, leading to substantial economic, energy security, and environmental benefits at little or no net cost to taxpayers.

More specifically, H.R. 2014 will also provide significant benefits to the U.S. economy. The growth in the propane vehicle sales and use created by the tax credits will generate an increase in economic activity that peaks between \$4 billion and \$5.7 billion per year in 2016, and totals between \$20

billion and \$29 billion over the ten year period from 2012 through 2021. The growth in economic activity created by the tax credits will create between 30,000 and 42,000 net new jobs by 2016, including between 14,000 and 19,000 jobs directly related to the production, sale, and utilization of propane vehicles, propane refueling facilities, and propane production and distribution, and between 16,000 and 23,000 indirect and induced jobs in other industries created by the increase in demand for services by the industries directly affected, as well as the impact of reduced expenditures on fuel on demand for other products. Over the ten year period from 2012 to 2021, the cost of the proposed tax credits to the federal government will be more than offset by increased tax revenues at the federal, state and local level.

H.R. 2014 will improve U.S. energy security by increasing sales of domestically produced propane and reducing reliance on oil and petroleum imports. H.R. 2014 will increase consumption of domestically produced propane between 579 and 759 million gallons of propane per year by 2016, with a cumulative increase between 4.8 and 5.5 billion gallons between 2012 and 2021. The increase in propane use will reduce consumption of conventional fuels by the equivalent between 480 and 683 million gallons of gasoline per year by 2016, with a cumulative reduction of 3.5 to 4.9 billion gallons of gasoline equivalent between 2012 and 2021. The provisions in H.R. 2014 will reduce crude oil and petroleum product imports between 11 and 15 million barrels per year by 2016, and between 83 and 117 million barrels over the period from 2012 through 2021. The increase in propane consumption and corresponding reduction in gasoline consumption will directly reduce annual carbon dioxide emissions between 4.2 to 6.0 million tons per year by 2016, and between 31 and 43 million metric tons over the period from 2012 to 2021.

In summary, NPGA and the propane industry strongly believe the *Propane GAS Act* offers fleet operations and private investors the kind of long-term tax incentives necessary to solidify propane autogas as a viable and competitive alternative transportation fuel. The Propane GAS Act offers the long-term policy commitment necessary to encourage private investment, build essential alternative fuel infrastructure, and bolster a burgeoning autogas market that will provide an immediate return on taxpayer investment.

The Propane GAS Act also puts incentives directly into the pockets of the U.S. business fleets, making the switch to an American-made alternative fuel practical and with transparent policy benefits. Propane autogas provides one of the fastest returns on investment of any domestic alternative vehicle fuel. Autogas vehicles are the only economically feasible light- and medium-duty AFVs that can be deployed on a large scale and achieve comparable performance to gasoline vehicles. Finally, gasoline and diesel have a marketplace monopoly. It is time introduce competitors to gasoline and diesel, such as propane autogas; otherwise we will continue to be dependent on foreign oil.

We encourage Congress to extend the alternative fuel tax credit provisions in H.R. 2014 and thus enable propane to achieve its full potential as an important and valuable contributor to America's future energy policy.

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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 is 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.