TEXAS ENERGY PROSPECTUS

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Malcolm Verdict, C.E.M.
Associate Director
Energy Systems Laboratory, Texas A&M
LET'S BEGIN THIS PRESENTATION WITH AN ENERGY QUIZ?
ENERGY QUIZ

➤ Texas is nation’s number one oil producer?

➤ Texas is nation’s number one gas producer?

➤ Texas has significant wind energy resources?

➤ Texas has significant lignite resources?

➤ Texas is energy independent?
Texas Energy Trends

DEMAND
- Has 7% of population and 12% of energy use
- Consumed 11.5 Q of energy (2002)
- Demand grew 161% last since 1960.
- Demand expected to grow 50% IN 20 years

SUPPLY
- Oil production fell 1.2 bb/yr - 0.4 bb/yr (1972 - 2002)
- Natural Gas production relative level at 5.69 b
- Lost our “energy independence” in 1993 [net importer]
Texas Energy Policy Dilemma

- Energy imports drain on Texas economy
- State oil supplies declining dramatically
- Natural gas supply stable but volatile prices
- Growth increases pollution from transportation
- Wind generation constrained by transmission
- Face infrastructure, regulatory, & technology challenges

Factoid: Texas energy problems no different than rest of country
Recent Texas Energy Policies

- Senate Bill 7 (1999) – Electricity Retail Competition
- Senate Bill 5 (2001) – Texas Emissions Reduction Plan (TERP)
- 2005 Legislative Review
  - Sunset review of Public Utility Commission/S.B. 7
  - Fine-tune TERP

Factoid: Texas energy policies are having positive impact on supply, demand and clean air
Electric Utility Deregulation

- Senate Bill 7 created retail competition in 2002
- Required 10% of electric demand met through energy efficiency
- Required addition of 2000 MW wind by 2009
- Required “grandfathered” generators to reduce emissions
- Created a Systems Benefit fund for low income and $70 mil. “Standard Offer Programs” for KW reductions

Factoid: Deregulation working ok in Texas
Texas Clean Air Legislation

- **Sen. Bill 5** – Established ~$150 mil incentives program to reduce air emissions
  - Grants for diesel engines conversions
  - 1st Statewide Energy Code (2003 IECC)
  - Established system of capturing SIP credits from EE/RE
  - Funded clean air technologies research

*Factoid: 70% of Texas population live in non/near non-attainment areas*
Energy Policy Agencies

- Public Utility Commission of Texas (1975)
- Railroad Commission of Texas (1892)
- Texas Commission for Environmental Quality
- Texas General Land Office
- Texas Governor’s Office

Factoid: No one lead agency for integrated policy
Texas Energy Policy Initiatives

- 1993 – Legislature created *Texas Energy Coordination Council* to coordinate energy research at state agencies and make legislative policy recommendations [2002]

- Nov 2003 – Governor signed Exec. Order creating *Texas Energy Policy Planning Council* to identify gaps in energy supply and demand; explore ways to diversify energy supplies; and explore common sense ways to reduce energy consumption.
Conclusions

- Texas, like many other states has successfully tackled many energy problems in last 5 years including:
  - Retail electricity competition
  - Emissions reductions
  - Use of renewable resources to meet growth
  - 10% mandatory reduction in energy use