



# TEXAS ENERGY PROSPECTUS

**USAEE Conference**

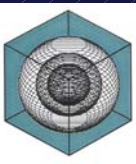
**Washington, DC**

**July 10, 2004**

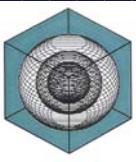
**Malcolm Verdict, C.E.M.**

*Associate Director*

*Energy Systems Laboratory, Texas A&M*

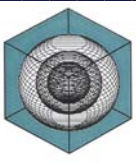


LETS BEGIN THIS  
PRESENTATION WITH AND  
ENERGY QUIZ?



# 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

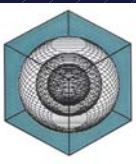
## SUPPLY

- 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

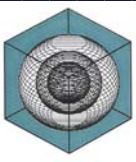
- Senate Bill 7 (1999) – Electricity Retail Competition
- Senate Bill 5 (2001) – Texas Emissions Reduction Plan (TERP)
- 2005 Legislative Review
  - Sunset review of Public Utility Commission/S.B. 7
  - Fine-tune TERP

*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

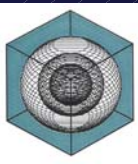
- **Sen. Bill 5** – Established ~\$150 mil. incentives program to reduce air emissions
    - Grants for diesel engines conversions
    - 1<sup>st</sup> Statewide Energy Code (2003 IECC)
    - Established system of capturing SIP credits from EE/RE
    - Funded clean air technologies research
- Factoid: 70% of Texas population live in non/near non-attainment areas*



# Energy Policy Agencies

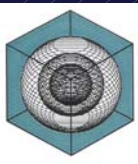
- Public Utility Commission of Texas (1975)
- Railroad Commission of Texas (1892)
- Texas Commission for Environmental Quality
- Texas General Land Office
- Texas Governor's Office

*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