Appendix A

Memorandum from the Secretary of Energy

The Secretary of Energy
Washington, DC 20585

April 25, 2001

MEMORANDUM FOR LARRY PETTIS, ACTING ADMINISTRATOR
ENERGY INFORMATION ADMINISTRATION

FROM: SPENCER ABRAHAM

SUBJECT: Natural Gas Study

I have received numerous requests for information on natural gas markets from Governors, Members of Congress, and State legislators. Specifically, they have expressed concern about tight supplies, volatile prices, and regional price disparities. At the same time, the role of natural gas in the development of a National Energy Policy has become increasingly important due to its expanded use in the generation of electricity. Given these circumstances, I requested that the Energy Information Administration (EIA) conduct an independent study of North American natural gas markets. This memo is to serve as a formal record of that request.

The study should be in two parts: part one will be a short-term study to address the present need for timely information; and part two will address longer term issues. The short-term study should include:

1) trends in national demand, supply, transmission, and storage that have affected price;
2) circumstances leading to regionally higher prices in areas such as California and an analysis of regional price differences;
3) drilling activity in response to higher prices; and
4) EIA's short and long-term natural gas forecast, including imports from Canada, Mexico, and LNG.

The following topics should be considered in the long-term study:

1) evidence of supply response to drilling activity;
2) conditions required for additional LNG facilities to feed U.S. markets;
3) effect on supply and prices if limits to access on Federal lands are removed; and
4) areas in which further analysis or improved data are necessary to understand market trends.

The short-term study should be completed by the end of April 2001 and the long-term study should be completed by the end of October 2001. Your efforts in developing this independent analysis to shed light on natural gas markets and help guide us in our policy making efforts are much appreciated.

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