

American Gas



Foundation

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R&D Funding for Natural Gas Transmission & Distribution Sector Declined by \$25 Million, New Study Finds

Washington, D.C. – A study recently released by the American Gas Foundation shows that funding for research and development of the natural gas transmission and distribution sectors (T&D) has dropped nearly 50 percent from three years ago.

The report, titled “Research and Development in Natural Gas Transmission and Distribution,” which was co-sponsored by the INGAA Foundation, Inc., shows that R&D funding for the T&D sectors has declined about \$25 million and is roughly half of what it was in 2003. Since then, two significant programs have ceased to exist: a cross-industry R&D program managed by the Gas Research Institute and funded through a surcharge approved by the Federal Energy Regulatory Commission (FERC) and a program funded by the Department of Energy’s National Energy Technology Lab which was focused on pipeline reliability R&D.

“A troubling outcome of the recent funding cuts is the virtual elimination of long-term basic research,” said Robert W. Best, chairman of the American Gas Foundation. Best is also chairman, president and CEO of Atmos Energy Corporation, which is headquartered in Dallas, TX.

The study tracks the historical trends and current status of R&D in the T&D industry, examines how research funding aligns with current industry objectives, compares it to similar industries, and reviews current R&D structures and strategies.

Best noted, “With few exceptions, the gas industry’s R&D funds are focused on near-term developments, while in contrast, the electric and water industries each maintain basic research programs oriented at longer-term industry goals through their primary industry R&D collaboratives and their government funding agencies,” Best said.

And while R&D spending in U.S. industry as a whole has been increasing, R&D spending in the energy industry, which includes gas transmission and distribution, has been declining since the 1990s. This is due primarily to a drop in federal funding and the discontinuation of an R&D surcharge approved by FERC. *[continued next page]*

“Today, gas distribution R&D programs are conducted in a more decentralized environment that creates a greater demand for the industry to coordinate R&D activities and it creates a greater need for communications,” Gary Gardner, executive director of the American Gas Foundation said. “Since the industry continues to face such challenges as aging infrastructure, growing demand, and the constant need to maintain a high level of reliability and safety, a closer look may need to be taken to make sure this downward trend in R&D investment does not point to future problems in bringing products and services to market that address the challenges and satisfy customer expectations.”

The executive summary and full text of can be downloaded from www.gasfoundation.org. For a hard copy, call Kelly Batte at 202-824-7026.

Founded in 1989, the American Gas Foundation is a 501(c)(3) organization that focuses on being an independent source of information research and programs on energy and environmental issues that affect public policy, with a particular emphasis on natural gas. Overseen by a Board of Trustees composed of executives from the natural gas industry, the AGF has delivered key public policy reports such as *The Energy Policy Act of 2005 and Its Impact on the U.S. Natural Gas Supply Imbalance* (January 2007); *Natural Gas Outlook to 2020* (February 2005); and *Public Policy and Real Energy Efficiency* (October 2005) For additional information on these and other AGF studies, visit www.gasfoundation.org.

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