AMERICAN PUBLIC GAS ASSOCIATION

June 21, 2013

The Honorable Mac Thornberry
United States House of Representatives
2329 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Thornberry:

On behalf of the American Public Gas Association (APGA), I would like to express our strong support for your recently introduced legislation, the "LNG Excise Tax Equalization Act of 2013" (H.R. 2202), that would level the playing field for natural gas by changing the excise tax calculation on liquefied natural gas (LNG) from a volumetric calculation to one based on the fuel's energy content.

APGA is the national association for publicly-owned natural gas distribution systems. There are currently approximately 1,000 public gas systems located in 36 states. Publicly-owned gas systems are not-for-profit, retail distribution entities owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities.

APGA strongly supports the replacement of conventional gasoline or diesel-powered vehicles with natural gas vehicles (NGVs) using either compressed natural gas (CNG) or LNG. Many NGVs are currently price competitive with conventional gasoline vehicles and are an attractive option for businesses and consumers due to significant fuel cost savings.

For example, in the heavy-duty truck space, LNG has attracted the interest of many long-haul trucking companies due to the potential for fuel cost savings of over $1 per gallon or more using LNG compared to diesel. These fuel cost savings provide economically viable payback periods and lifecycle cost.

However, the current federal tax treatment of LNG serves as a significant barrier to the broader adoption of LNG as a transportation fuel. Sales of both LNG and diesel for motor vehicle use are taxed at rate of 24.3 cents per gallon. Due to the fact that this tax is levied on a volumetric basis, the outcome is inequitable treatment of LNG. Put simply, LNG is less energy dense than diesel, as it requires 1.7 gallons of LNG to equal the energy content of 1 gallon of diesel.

201 Massachusetts Avenue, NE
Suite C-4
Washington, DC 20002

202.464.2742 (tel)
202.464.0246 (fax)
www.apga.org

Therefore, an LNG truck's fuel is taxed at 170 percent of the rate compared to diesel to do the same work. This significant inequity in tax treatment serves as a strong disincentive for long-haul truck fleets and other heavy duty fleets to switch to LNG despite their fuel cost savings and environmental benefits.

That is why your common sense legislation, H.R.2202, is so critical to the future development of the LNG vehicle market. By switching the calculation of the excise tax from a volumetric calculation to an energy content calculation, both LNG and diesel will be taxed on an equivalent basis and will therefore compete with one another on a level playing field in terms of federal tax policy.

APGA believes strongly that clean, affordable, and secure natural gas has a critical role to play in U.S. transportation policy. The deployment of LNG vehicles in the heavy-duty market can simultaneously reduce our dependence on foreign oil, enhance our national security, improve our balance of trade, and reduce emissions. Your legislation will help ensure that this promising future is realized.

On behalf of APGA, I thank you for your leadership on this critical issue. We look forward to working further with you on this and other natural gas consumer issues.

Sincerely,

Bert Kalisch

Bert Kalisch
President & CEO