

TESTIMONY
OF
NEAL McCALEB
BEFORE
US HOUSE NATURAL RESOURCES COMMITTEE
SUBCOMMITTEE ON INDIAN AND NATIVE ALASKAN AFFAIRS
APRIL 1, 2011

Good morning. My Name is Neal McCaleb and I want to thank you Chairman Young and Ranking Member Boren for the opportunity to testify before this committee on the subject of energy policy and the use of compressed natural gas (CNG) in Indian country as an alternative fuel for vehicles.

I represent the Chickasaw Nation as a member of the Tribe and serve as Chairman of the Board of Chickasaw Nation Industries, as a board member of its wholly owned bank and as an economic development advisor to Gov. Bill Anoatubby.

The Chickasaws are very environmentally sensitive as well as market driven in our business decisions. We have embarked on a program to migrate our fleet of 600 owned and leased vehicles to CNG fuel and have constructed our first operational public CNG fast fuel station at our fuel plaza in Ada, OK. We are planning to open several more public fast fuel CNG stations at our fuel plazas along I-35 and US 70 in southern Oklahoma.

We have been motivated to make these investments by our desire to provide leadership helping shape energy policy and enhance the national security by becoming less dependent on foreign oil. We respect the need to enhance air quality by reducing vehicle emissions using clean burning natural gas which reduces undesirable emissions including Nitrous Oxide- 60% reduction, Carbon Dioxide- 30%, Hydrocarbon-50% and particulate matter 90%. Natural Gas

burns cleaner than any other energy source except electricity and if you count the carbon footprint to generate the steam powered electricity it burns as clean.

As responsible businessmen we are very interested in the economy of using CNG especially in today's market where low octane fuel is currently at between \$3.50 and \$4.00/ gallon. The cost of an equivalent gallon of CNG varies from \$0.75 to \$1.39 / gallon depending on the point and source of purchase. My personal experience in driving a CNG Chevy conversion for 20,000 miles is that my fuel costs are 3 ½ cents per mile as compared to \$0.21/ mile for a conventionally fueled car getting 16 miles / gallon at a fuel cost of \$3.50/gallon.

These facts coupled with the huge and expanding reserves of natural gas gives a dependable domestic source that will meet the energy needs of this country well into the next century.

The obvious question is "with all these advantages and benefits of CNG what is holding the nation back from a transition to this clean burning, dependable and economic fuel for vehicles?"

I will try an answer from the Chickasaw experience.

First is the supply and demand relationship to the availability of vehicles and fueling opportunities and the demand for the fuel from existing operators. Natural gas vehicles are the fastest growing alternatives to gasoline and diesel around the world- with over 12 million on the road. America has only about 110,000. Around the world, although every major car manufacturer offers natural gas models, currently there are no domestic original equipment manufacturers of CNG cars and until recently only one internationally. With a very limited number of vehicles on the road there is little demand for fueling stations that cost up to \$500,000 for one pump without any site development expenses. This is a classic "chicken or egg" conundrum. We can't get more vehicles on the road until there are convenient and reliable fuel stops and the fuel stops won't be developed until there is a demonstrable demand.

The Chickasaws decided to provide leadership by purchasing CNG vehicles and building a local CNG fuel plaza with no financial assistance from any one. Our first car purchase was a Honda Civic that has a "dedicated " engine meaning it burns only CNG. I personally operated this

vehicle for a year with no small anxiety about running out of fuel between known fueling locations that I found sometimes were out of service. When you run out of CNG in a dedicated engine car your only option is to call a tow service and be transported to an available fueling site.

In light of the limited number of convenient fueling stops it is far better to have a car that can be powered by either unleaded gas or CNG known as “bi-fuel”. There are no original-equipment-manufacturers that produce bi-fuel, natural gas vehicles in the US, and the only viable bi-fuel cars are conversions. We purchased five Chevy Impalas last year and had them converted to bi-fuel at a cost of \$10,000/ vehicle. We had to wait six months for the EPA to provide the necessary certifications for the make, model and year of the car to be converted. The reason there are no OEMs is that there has been no federal tax credits eligible for bi-fuel cars. There are for single source dedicated cars – but they expired on December 31, 2010. This makes no sense in our current environment of limited fueling opportunities. The more reasonable course for promoting CNG use is to have equal tax credits for both dedicated and bi-fuel cars as we do in under the Oklahoma tax code. Under these conditions there will be greater demand for the bi-fuel cars and subsequently more demand for new and convenient fuel stops.

Secondly the EPA certification process is designed to delay and confound the process of CNG conversions and needs to be streamlined and expedited so that when new models are available the certifications are as well. Under existing rules, each new make and model must be recertified annually as well as the conversion kits. According to Richard Kolodziej, President of NGV America, “currently, the EPA certification process for natural gas aftermarket conversion is cumbersome and unnecessarily costly.”

Third, there is an inequitable treatment of tribes in the federal government’s efforts to incentivize the use of alternative fuels, including CNG. Congress has established an Alternative Fuels Excise Tax Credit that provides a \$0.50/ gallon tax credit for sellers of qualifying alternative fuels. Tax-exempt entities such as states and local governments that dispense qualifying fuels from on-site fueling stations to vehicles are eligible for this tax credit. Tribal governments are not eligible. Mr. Chairman this is an issue that comes right to the point of

today's hearing. As is so often the case in programs across the federal government, tribes are often simply overlooked and forgotten when legislation and implementing regulations are drafted. The Alternative Fuel Excise Tax Credit is one of the many expiring tax provisions that Congress takes up every year or two. This particular tax credit was last considered as a part of the compromise tax deal agreed to in December and is set to expire at the end of 2011. Simply inserting the phrase "and tribal governments" could rectify this inequity.

The Chickasaw Nation is struggling to be environmentally responsible, sensitive to national security and economically innovative in its energy policy but has been frustrated by national regulations affecting market driven opportunities.

A sound energy policy is one that is:

1. Coherent and viable (no nonsense)
2. Sustainable
3. Timely- can be applied here and now
4. Should help not harm the national economy and the environment

We believe that, at a micro level in the Chickasaw Nation that our policy of using clean burning natural gas meets these criteria and we are implementing it with great success that can be magnified with the implementation of these suggested changes in tax and regulatory controls. It can be of greater value at a national level using the same criteria if the regulatory obstacles are mitigated.

With this in mind, Mr. Chairman, I would like to commend Congressman Boren for his leadership last year in promoting the Natural Gas Act- which would have provided federal incentives for; natural gas vehicle purchase--both dedicated and bi-fuel; purchasing of natural gas fuel; and installing CNG fueling stations. It is my understanding that a similar NAT GAS Act will be introduced in the House shortly, which would also allow Indian tribes to be eligible for these incentives and we will be very supportive of that legislation.

In closing let me point out that almost half of our oil consumption goes for on-road transportation purposes, and last year, we imported about 60% of all the petroleum we used. If

we only substituted natural gas for half of that use, we would cut our oil imports by two thirds. Natural gas is the only available option that could actually accomplish this. This is not a speculative policy as 30% of European autos are now fueled by CNG and these countries are importers of the fuel. Most importantly for today's hearing, many tribal areas in the US have extensive deposits of natural gas, and this energy policy will provide economic opportunities in Indian Country by increasing demand for natural gas.