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Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT OPERATIONS

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Dear Colleague:

In connection with the Government Operations Committee's oversight responsibilities concerning the economy and efficiency of Government operations, I asked the Comptroller General to conduct a study of the implications of deregulating natural gas. The GAO has today delivered their report to me.

The report clearly indicates that the GAO is taking no position on the issue of regulation or deregulation. I emphasize that the Committee on Government Operations is also taking no position on this legislative issue. However, the report does contain valuable factual information which should be useful to you as the Congress deals with the many energy issues that will be facing us during the second session. I am pleased to make this copy available to you.

With best wishes, I am

Sincerely,

[Signature]
 JACK BROOKS (X)
 Chairman

Enclosure



REPORT TO THE COMMITTEE ON GOVERNMENT OPERATIONS HOUSE OF REPRESENTATIVES

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

Implications of Deregulating The Price of Natural Gas

Higher prices would bring some additional supplies of natural gas over what would otherwise occur. However, supplies are constrained by factors in addition to price, such as the ability to discover new reserves at a sustained, high rate. These factors indicate that the Nation will probably never again attain recent production levels.

Even with deregulation, natural gas production would be likely to continue to decline. Deregulation, however, could slow the rate of decline.

The price of natural gas will continue to rise, under either regulation or deregulation. However, with deregulation, price rises would be more rapid, except in the unlikely event that regulated prices were deliberately raised to intrastate levels and held there.

Therefore while additional gas supplies are likely from the higher deregulated prices, this advantage must be weighed against higher prices to consumers.