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# Pickens' Natural-Gas Nonsense

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By Steven Milloy
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"Get this one," says billionaire T. Boone Pickens in his latest TV ad, "Iran is changing its cars to natural gas and we're not doing a thing here. They're doing this to use less oil and sell it for $120 a barrel. We can switch our cars to natural gas and stop sending our dollars to foreign countries."

Readers of this column know better than to take at face value the marketing of the so-called "Pickens Plan."

So what's the full story behind Iran's move, and what would be the impact of switching our cars to natural gas?

Although Iran is a major oil and gas producer, it lacks oil-refining capacity and must import about 50 percent of its gasoline. To be less vulnerable to international pressure concerning its nuclear program, President Mahmoud Ahmadinejad decided to reduce Iran's reliance on imported gasoline.

He started with rationing in May 2007. But that quickly led to violent social unrest.

Ahmadinejad then decided to convert Iran's new car fleet to natural gas. So 60 percent of Iran's car production this year — about 429,000 vehicles — will be dual-fuel-ready, capable of running on both gasoline and natural gas.

But contrary to Pickens assertion, Iran isn't trying to use less oil:; It's trying to use less imported gasoline — and only to thwart a possible international gasoline embargo.

Though hardly a role model for energy policy, should we nevertheless follow Iran's lead with respect to natural-gas cars? Just what would that mean to you and to our economy?

While the natural gas sold for auto fuel is as much as 50 percent less expensive than gasoline — at least for now — the cover charge to get into a natural-gas vehicle can easily erase any savings.

A new natural-gas-powered car, such as the Honda Civic GX, for example, is almost 40 percent more expensive than a conventional Civic ($24,590 versus $17,700).

While tax credits can reduce the cost by thousands, somebody — either you and/or taxpayers — will be paying the difference.

If natural gas fuel saved you, say, $2 per gallon, then you'd have to drive 124,020 highway miles or 82,680 city miles to break even on fuel costs against the $6,890 purchase price premium.

You can convert an existing car from gasoline to natural gas, but the costs are daunting.

Converting a car to dual-use (as in Iran) costs between $6,000 to $10,000. Converting a car to run on natural gas only is about half as expensive.

Even so, the conversion has to be done correctly or, in the worst case, you risk leaks that could turn your car into an improvised explosive device. And if your car is altered without proof of EPA certification, you might not get any of the all-important conversion tax credits.

Then there's the inconvenience. Though their fuel tanks are larger — which, incidentally, reduces trunk space — natural gas cars have less range.

While a new Honda Civic can go as far as 500 miles on a tank of gasoline, the GX's range is less than half of that — and, currently, there are only about 1,600 natural-gas refueling stations across the country, compared with 200,000 gasoline stations.

If your home uses natural gas, you could buy a home filling station at a cost of about $2,000 plus installation. While home filling stations can further reduce fuel costs to substantially below $2 per gallon, the devices take about 4 hours to replenish the fuel consumed by only 50 miles of driving. So much for gas-and-go.

Moving past the personal expense and inconvenience, the broader implications of natural-gas cars are worrisome.

The U.S. currently uses about 23 trillion cubic feet of natural gas per year. Like all commodities, the price of natural gas is supply-and-demand dependent.

Switching just 10 percent of the U.S. car fleet to natural gas would dramatically increase our consumption of natural gas by about 8 percent (1.9 trillion cubic feet) — an amount that is slightly less than one-half of all current residential natural gas usage and one-quarter of all industrial usage.

The price ramifications of such a demand spike would likely be significant. The current cost advantage of natural gas over gasoline could easily be reversed. Our move toward energy independence could also be compromised.

Domestic production of natural gas has not kept pace with rapidly increasing demand. Consequently, about 15 percent of our natural gas must now be imported.

Without more domestic gas drilling, additional demand will need to be met with natural gas imported by pipeline and in liquefied form from the very same foreign sources that T. Boone Pickens rails about in the context of oil.

In its most recent annual outlook, the U.S. Department of Energy projects that the U.S. natural-gas market will become more integrated with natural-gas markets worldwide as the U.S. becomes more dependent on imported liquefied natural gas — causing greater uncertainty in future U.S. natural-gas prices.

The natural-gas supply problem will be additionally magnified if significant greenhouse-gas regulation is enacted.

Here's how: Currently, when natural gas gets too expensive, electric utilities often substitute coal or cheaper fuels for power generation.

Under a greenhouse-gas regulation scheme, however, inexpensive coal might no longer be an alternative because of the significantly greater greenhouse-gas emissions involved with its combustion.

Utilities, and ultimately consumers, could easily find themselves at the mercy of natural-gas barons — like T. Boone Pickens himself, a large investor in natural gas.

Is that the real "Pickens Plan?"

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