CONSUMERENERGYALLIANCE

POWERING PROGRESS

HOW NATURAL GAS FUELS COLORADO'S COMMUNITIES

Colorado's energy landscape is anchored by natural gas, which continues to play a vital role in supporting the state's economy, keeping energy affordable for families and businesses, and maintaining dependable power throughout the year. In 2024, the natural gas industry proved to be vital, driving job creation, generating billions in economic output and public revenues, and delivering savings to consumers. **Without natural gas, Colorado households and small businesses would face higher bills**, local governments would see **reduced revenues,** and tens of thousands of jobs, especially in rural and low-income, communities across the state, would be at risk. Sound policy must take into consideration these economic realities, balancing energy needs with environmental stewardship to support all Coloradans.

Natural gas, which provides approximately **30% of electricity statewide** and **heats about three-quarters of all homes**, is at the heart of this system. From the urban Front Range to remote mountain towns, Coloradans rely on natural gas not just for comfort in winter or business operations, but as a key contributor to school funding, local roads, and broader community well-being. Over decades, Colorado's balance of abundant reserves, advanced production methods, and strong regulations have delivered energy security while keeping utility costs among the lowest in the West.

POWERING COLORADO'S ECONOMY

The natural gas industry is a cornerstone of Colorado's economy, fueling growth and supporting public finances. **Colorado ranks as the nation's eighth-largest natural gas producer**, underscoring its role as a leader in domestic energy production.

Its geography touches or is home to 12 of the country's largest natural gas fields, according to the U.S. Energy Information Administration.

THE ENERGY YOU LIVE BY

30%
THE SHARE OF COLORADO HOMES THAT USE NATURAL GAS FOR ELECTRICITY

$1.1K
ANNUAL HOUSEHOLD SAVINGS FROM USING NATURAL GAS FOR HEATING, COOKING, AND DRYING

7 OUT OF 10
COLORADO FAMILIES RELY ON AFFORDABLE, RELIABLE, CLEANER NATURAL GAS

$182M
IN OIL AND GAS LEASING REVENUE FUNDED COLORADO SCHOOLS AND TEACHERS IN FY 2024.

KEEPING COLORADO COMPETITIVE

It is no secret that Artificial Intelligence data centers and advanced manufacturing are surging across the country—as it has become a priority for the United States to win the global race for leadership in Artificial Intelligence technology. The race for dominance in AI technology is interconnected by the challenge of meeting the surging energy demands it creates with a prominent role envisioned for natural gas in meeting that increased demand.

That AI technology/energy race isn't limited to the U.S. versus the world—there is also a race amongst the US states and nowhere is that more prevalent than the Mountain West. Increasing natural gas transmission and generating capacity in Colorado is going to be a necessary component to the state's energy to remain competitive with its neighbors. S&P Global Ratings and industry reporting estimate **U.S. data-center growth could lift gas demand by 3–6 Bcf/d** - enough to meet the daily needs of **15–30 million homes.** That's about the number of households in Texas, California, and New York **combined**, and builders are siting campuses where gas and gas-fired power are easiest to secure.

WHAT NEIGHBORING STATES ARE DOING (WINNING!)

Arizona utilities just locked in new interstate pipeline capacity specifically to run gas plants serving the data-center buildout. In August 2025, Arizona Public Service (APS) and Salt River Project (SRP) subscribed to Energy Transfer/Transwestern's Desert Southwest expansion so their gas-fired plants can help meet projected electricity demand. Taiwan Semiconductor Manufacturing Company (TMSC) has begun high-volume production at its first Arizona advanced semiconductor manufacturing facility, and has announced a $100 billion investment in expanding its Phoenix footprint, creating tens of thousands of jobs and billions of dollars in economic growth.

To the West, Utah has multiple hyperscale campuses expanding and is utilizing natural gas to meet growing energy demand. Meta's Eagle Mountain campus keeps expanding, and QTS also broke ground on a major campus there in late 2024. Additional "Mega Campus" proposals continue to gain traction with a "potential 20-million-square-foot data center campus called Delta Gigasite", which would make it the single largest data center campus in the world.

Looking Northward to Cheyenne, a city a few hours drive from Denver, Microsoft is breaking ground on a new data center that will expand on Microsoft's decade-old footprint in Wyoming's capitol. Southeast Wyoming is seeing development as well. PureWest Energy is using low-carbon natural gas from the Green River Basin, which is similar to Colorado gas in its environmental attributes, to power a data center that begins at 150 megawatts but could scale up to 12,000 megawatts by 2029. Additionally, this past Spring, the State Treasurer announced that the state will invest up to $1.5 billion to expand economic development—specifically manufacturing—in the Cowboy State.

Colorado has every ingredient to be a prime landing spot for AI and advanced manufacturing—talent, research institutions, connectivity and renewable energy. But the states winning today are also guaranteeing firm power with natural gas – to provide both baseload power and balance the variability of renewable energy like wind and solar. If Colorado wants to join the (economic development) fun it needs to make practical, targeted expansions of gas infrastructure part of its energy toolkit—just like Arizona, Utah, and Wyoming are doing.

Why is this important?

Because Colorado is already losing economic development ground to its neighbors and without substantial changes to how the state approaches energy and infrastructure Coloradans will only continue to lose opportunities to Arizona, Utah and Wyoming. According to data available from the Saint Louis Fed, Colorado lags those states in GDP growth over the past five years and trails Wyoming in job creation.

Oil and natural gas in 2024 directly contributed almost $14 billion to the state's Gross Domestic Product, or 3%, according to federal Bureau of Economic Analysis data. However, that data does not account for spending the oil and gas sector induces in Colorado's economy, which a PWC analysis estimated at a contribution of $48 billion and 303,000 jobs.

Colorado's industrial sector accounted for 30% of the 25.9 billion cubic feet consumed statewide in May 2025, according to the most recent EIA data. This sector provides the backbone for industries that produce life-saving medical devices, aerospace technology, and food products The state's commercial sector is also a significant consumer of natural gas, consuming 3,256 million cubic feet, accounting for almost 13%. These contributions go well beyond headline economic output. Severance and property taxes from natural gas operations contribute greatly to local government budgets, supporting schools, road improvements, and essential services. In fact, **oil and gas activities are responsible for nearly 95% of** Colorado's severance tax collections, driven by graduated tax rates designed to ensure the public shares in resource benefits. The Colorado State Land Board, meanwhile, reports that roughly 70-80% of its annual revenue, which is dedicated to supporting public schools, comes directly from oil and gas leasing. In fiscal year 2024, this **amounted to more than $182 million for Colorado's students, teachers, and classrooms.**

STRENGTHENING RURAL COMMUNITIES

The positive effects of natural gas reach deepest into rural Colorado, where energy development frequently **serves as the backbone of local economies**.

For dozens of communities on the Western Slope and Eastern Plains, industry property and severance taxes provide budget stability, ensuring ongoing investment in local schools, healthcare, emergency services, and small-town infrastructure. When it comes to economic diversification, not many industries can match the consistent benefits created by responsible natural gas development.

COLORADO'S OIL AND NATURAL GAS INDUSTRY REDUCED ITS EMISSIONS BY NEARLY 60% FROM 2011 TO 2020.

The combination of employment, supply chain activity, and public revenue supports economic resilience, especially in places where options for new industries might be limited.

CLEANER AIR AND LOWER EMISSIONS

Natural gas offers numerous benefits beyond affordability and reliability for Colorado families and businesses. It remains a key solution for reducing the main criteria pollutants tracked by the U.S. Environmental Protection Agency (EPA), while lowering carbon emissions and supporting Colorado's ambitious climate goals.

As natural gas production and consumption have grown in the United States, **Colorado's emissions of pollutants and greenhouse gases have markedly decreased - even as the state's economy expanded**:

- Colorado's oil and natural gas industry reduced **its emissions by nearly 60% from 2011 to 2020**, with even greater reductions expected in the years ahead.
- After strict air quality regulations in 2014, Colorado operators **now capture 95% of emissions** from volatile organic compounds (VOCs) and methane - two pollutants critical to addressing emissions-related concerns.
- From 2019 to 2023, Colorado's annual CO2 emissions **from all sectors fell from 128.3 million metric tons (MMT) to 118.4MMT**, while its share of global emissions remains just 0.2%.

Each year, 70–80% of oil and gas leasing revenue collected by the State Land Board directly supports public schools

Energy-Related Carbon Emissions (CO_2):

- Colorado aims for a 50% reduction in greenhouse gas emissions (CO_2-equivalent) from 2005 levels by 2030, and 90% by 2050.
- In 2021, statewide CO_2 emissions from natural gas were 27.7MMT, falling from 29.2MMT in 2019.
- The state's CO_2 footprint declined significantly due to fuel-switching to natural gas and the growth of renewables on the grid.

Colorado's GDP has almost **doubled** since 2005, while **overall emissions from energy have fallen by 10%** since 2005 according to 2024 data, showing the lack of a positive correlation between economic growth and pollution.

The 2024 U.S. EPA Greenhouse Gas Inventory **report** found **methane emissions from natural gas distribution systems fell 70%** between 1990 and 2022, **even as U.S. production and consumption grew ~70%**. Colorado, a **top-10** energy producer, shows that environmental progress and energy leadership can advance together.

RELIABLE, AFFORDABLE ENERGY

Natural gas helps keep energy in Colorado reliable and affordable for both consumers and businesses. **As of July 2025, natural gas generation accounted for approximately 51% of the state's electricity mix**, providing stability during Colorado's harshest winter periods, and balancing intermittent renewables like wind and solar. **Most Colorado households (nearly 7 in 10) depend on natural gas not only for heating**, but also for reliable hot water and as a backup during electrical outages.

On the business side, core sectors rely on natural gas as a primary and/or back-up energy source. Colorado's famous craft brewing industry, which **supports over 61,000 jobs** (1 in every 48) and **$13 billion in economic output**, is a prime example: nearly half the process energy used comes from natural gas, used for brewing operations and facility heating.

Roughly 3/4 of hospital heating systems and 80% of water heating depend on natural gas for reliable care

In tourism, a $28.5 billion industry, supplying over 188,000 jobs, natural gas enables everything from snowmaking at ski resorts to heating hotels and restaurants, helping Colorado welcome millions of winter visitors when temperatures drop.

The healthcare sector is just as dependent; roughly **three-quarters of hospital heating systems and 80 percent of water heating utilize natural gas**, making sterilization, sanitation, and uninterrupted care a non-negotiable.

Agriculture, an annual $30 billion industry in sales statewide, requires natural gas to heat greenhouses, dry grains, and fuel food processing facilities. Affordable, secure supply is a lifeline for the farming sector.

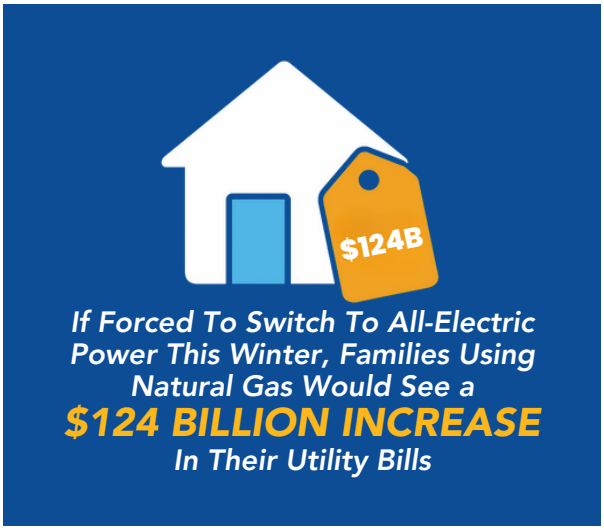
Most importantly, natural gas is an exceptionally reliable resource to these industries. According to data from the Interstate Natural Gas Association of America from 2006-2016 **the US natural gas transportation system had a 99.79% reliability record**. Further affirming the reliability of natural gas, **a 2018 report from GTI energy showed that the natural gas distribution system had a system reliability of 99.999%.**

THE RISKS OF RESTRICTING NATURAL GAS

Policy proposals that seek to restrict natural gas use or halt new development, such as SB24-159, which would prohibit permitting for oil and gas wells by 2030, introduce big risks for the state.

The most immediate consequence would be higher utility and heating costs; families, particularly those with lower or fixed incomes, would be affected the most. Businesses could see operating costs rise, decreasing competitiveness and limiting job growth. The impact would be highly visible in rural Colorado, where energy jobs form the backbone of small-town economies.

Public revenues would also suffer: policies eliminating new oil and gas permitting could cut between billions from state and local government budgets within just a few years, endangering school funding and local public services across dozens of Colorado counties.



There is a cost to cutting natural gas out as an energy source, which Coloradans have already felt. Since the passage of **HB19-1261** in 2019, a bill attempting to reduce greenhouse gas pollution in the state, residential costs of natural gas spiked. **The average Colorado household consumed on average 4.7 thousand cubic feet per month**. In 2019, the average cost of 1 thousand cubic feet of natural gas was about $7.77, with highest rate in the summer reaching $14.14. This would result in an average annual cost of $434.28. After the law passed, the price of residential natural gas spiked to $12.72 in 2022, a record-breaking high, with an even higher peak rate in the summer hitting $22.26. T**his would increase the annual average cost of natural gas for residential households to $717.41, an almost $300 increase.** These price spikes can be detrimental to poverty level and low-income households that may be living paycheck to paycheck.

Prior to the winter heating season, Consumer Energy Alliance (CEA) annually issues Heat or Eat, an analysis based on the EIA Winter Fuels Outlook to determine the impact winter energy costs may have on families across the country.

CEA's analysis found that **if forced to switch to all-electric power during the past winter** overall household expenditures on energy would have substantially increased. **Households using natural gas would have seen a $124 billion increase in their utility bills**, **propane** users would have seen **a $7.5 billion increase**, and consumers who rely on **heating oil** would have seen **a $17.7 billion** increase in energy costs.

This validated the findings of the Biden Administration. Last year, the Office of Energy Efficiency and Renewable Energy updated the Representative Average Unit Costs of Energy for residential users. The latest release identified that electricity is by far the costliest among the five residential energy sources. Natural gas was found to be the most affordable of the five sources, followed by propane and heating oil.

CONSEQUENCES OF ELECTRIFICATION

In Colorado, many families who do not meet the federal definition of poverty still struggle financially. United for ALICE developed a metric to capture these households, calling them "Asset Limited, Income-Constrained, and Employed" (ALICE). The ALICE threshold is based on the actual cost of essential household expenses, which varies by location. Unlike the federal poverty level, this measure reflects the real cost of living. For example, a Colorado family of four needs an estimated $93,048 annually to afford a basic standard of living under ALICE guidelines, over $60,000 more than the 2025 Federal Poverty Level of $32,150 for the same family size.

Although only 10% of Colorado's population was officially considered impoverished in 2023, another 27% fell below the ALICE threshold while remaining above the federal poverty line. Combined, this means roughly 37% of Coloradans face income constraints that make everyday living a challenge.

The ALICE data highlights that this issue affects both urban and rural communities. In Denver County, for instance, 35% of residents fall below the ALICE threshold. Rural areas often experience even more severe economic challenges, with counties like Crowley, Jackson, and Costilla reporting between 60% and 73% of households in this category.

To illustrate how these financial realities intersect with energy policy, CEA created a cost calculator using public consumer data. This tool estimates the potential financial burden households would face if natural gas were banned and gas appliances had to be replaced. The findings reveal that such costs would be significant for families across Colorado, whether in major cities like Denver, smaller communities like Durango, or rural towns such as Trinidad.

BALANCING GROWTH AND SUSTAINABILITY

Energy reliability is the backbone to both a strong economy and a healthy populace. Unfortunately, over the past decade, maintaining the reliability of the electricity grid in both Illinois and the United States is a growing challenge.

Former Federal Energy Regulatory Commission (FERC) Chairman Mark Christie has repeatedly warned of reliability challenges facing the nation's electricity grid - often citing the premature retirement of dispatchable generation capacity as a leading cause.

RECOMMENDATIONS

For Colorado to preserve its advantages (affordable energy, good jobs, resilient communities, and funding for public priorities) policymakers should:

- **Continue support for investment in safer, cleaner natural gas** production and infrastructure.
- **Protect public revenue streams** that benefit schools, local governments, and essential community services.
- **Preserve consumer choice and affordability** by avoiding blanket restrictions that could drive up costs and limit reliable energy options, **particularly for the state's most vulnerable.**
- Ensure that **rural and low-income communities are at the center of energy policy discussions**, so the benefits of Colorado's resource wealth remain widely shared.

Colorado stands at a crossroads where energy, economic growth, and environmental stewardship have the opportunity to intersect. As this report shows, natural gas has provided Coloradans with affordable and reliable energy. It has also helped build local economies, fund necessary public services, and create opportunities for families and small businesses across the state. The industry's efforts in technological innovation and responsible development has allowed Colorado to enjoy the benefits of a diverse energy mix under some of the nation's strongest environmental safeguards.

Looking ahead, thoughtful policy and collaboration can ensure that natural gas remains a large part of Colorado's balanced approach to energy. **Most Americans (69%) support policies that combine renewables with traditional fuels**, rather than limiting consumer access to a single source. By continuing to invest in cleaner technologies, supporting communities that rely on these resources, and protecting consumer choice and affordability, Colorado can build on its leadership in energy and environmental progress. This will allow the state to thrive, securing economic opportunity, strong public services, and a healthy environment for generations to come.