

May 23, 2011

The Honorable Harry Reid
Senate Majority Leader

The Honorable John Boehner
Speaker of the House

The Honorable Mitch McConnell
Senate Minority Leader

The Honorable Nancy Pelosi
Minority Leader

The undersigned manufacturing and agriculture organizations oppose legislation that the Congress may consider that would provide subsidies or mandates that artificially increase the demand for natural gas in the transportation and power sectors. The most recent example is H.R. 1380, the Nat Gas Act. We urge the Congress to allow the market to set supply and demand for natural gas instead of picking “winners” and “losers” through legislation. It is also not sound fiscal policy to establish a new multi-billion dollar subsidy when our nation faces a \$14 trillion deficit.

As manufacturers who compete globally and rely heavily on the use of natural gas as both an energy source and an essential raw material or “feedstock” we are concerned that such legislation could result in higher costs, causing further industrial “demand destruction” that forces good U.S. manufacturing jobs to overseas competitors. Higher natural gas costs will also drive up the price of electricity.

The farm sector depends on natural gas for food processing, irrigation, crop drying, heating farm buildings and homes and nitrogen fertilizer production. By far, the most intensive agricultural use of natural gas is in the production of nitrogen fertilizer, which is used on virtually every crop produced in this country. Natural gas represents approximately eighty percent of nitrogen fertilizer production costs.

Subsidizing natural gas demand is unnecessary. If natural gas is abundant and affordably priced, the market will respond by increasing demand. For the transportation sector, given the high and rising price of gasoline, natural gas is a competitive fuel right now without subsidies.

We are alarmed at the speed of our increasing dependency upon natural gas. For example, natural gas demand from the power generation sector has increased 42.3 percent since 2000 and 7.2 percent in 2010 alone. Demand from anticipated economic growth plus the cumulative effect of the new EPA Clean Air Act regulations on the electric utility sector and Industrial Boiler MACT regulation will result in the shutdown of coal fired power plants and coal fired industrial boilers that will drive even more demand. The EIA estimates that as much as 20 percent of the coal fired power plants will be shutdown.

We are encouraged by the recent reports regarding a new abundant supply of natural gas from shale formations. In fact numerous manufacturers have recently announced expansion plans based on affordable supplies of natural gas. However, history has shown that unforeseen circumstances, including the potential for both federal and state regulations to be placed on shale drilling, can either slow its production, increase its costs or otherwise dramatically alter these types of future projections. Government policy that artificially raises demand while competing policies constrain supply is a recipe for increased cost to manufacturers and consumers alike.

Our economy, its recovery and our energy security will be better served if U.S. energy policy ensures American manufacturing can continue to compete globally and keep its jobs here. Our economy needs a diverse base of price-sensitive natural gas consumers, and a diverse energy supply in order to help reduce price volatility in all energy sectors. Policies to create an abundant, affordable and accessible supply of natural gas as part of a diverse domestic energy portfolio will help the manufacturing and agriculture sectors to regain their rightful place in a healthy and growing economy.

We are happy to speak to you at greater length on the importance of affordable energy. On behalf of the Natural Gas Consumers Coalition, you may contact Paul Cicio at 202-223-1661.

Sincerely,

Ag Processing Inc
Agribusiness Association of Iowa
Agribusiness Council of Indiana
Agricultural Retailers Association
The Aluminum Association
American Chemistry Council
American Forest & Paper Association
American Foundry Society
AMPAL, Inc.
The Andersons, Inc.
Arkansas Electric Energy Consumers, Inc.
Arkansas Gas Consumers, Inc.
Associated Industries of Florida
BASF Corporation
The Belden Brick Company
Brandt Consolidated
Brick Industry Association
Cambridge-Lee Industries, Inc.
CF Industries
Charlotte Pipe and Foundry
Chemical Industry Council of Illinois
Chicago Extruded Metals Company
Copper and Brass Fabricators Council, Inc.
Corning Incorporated
Council of Industrial Boiler Owners
The Dow Chemical Company
Dow Corning Corporation
Eastman Chemical Company
Ellwood Quality Steels Company
Evonik Degussa Corporation
Far West Agribusiness Association
The Fertilizer Institute
Gallatin Steel Company

Georgia Agribusiness Council
Gerdau
Golden Brands, LLC
Golden Foods, LLC
Guardian Industries Corporation
Illinois Fertilizer & Chemical Association
Independent Lubricant Manufacturers Assoc.
Industrial Energy Consumers of America
International Chemical Co.
Koch Fertilizer
LyondellBasell Industries
Manufacturers Association of Central New York
MeadWestvaco Corporation
MillerCoors
National Association for Surface Finishing
National Bronze & Metals, Inc
National Petrochemical & Refiners Association
Nebraska Agri-Business Association
North Dakota Agricultural Association
PotashCorp
Riceland Foods, Inc.
RockTenn Corp
Rocky Mountain Agribusiness Association
Saint-Gobain Corporation
SGL Carbon LLC
Smelter Service Corporation
Smurfit Stone Container
Society of American Florists
South Dakota AgriBusiness Association
The Timken Company
Western Plant Health Association
Wisconsin Industrial Energy Group

cc: U.S. Senate
U.S. House of Representatives