Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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July 21, 2008

The Honorable Robert C. Byrd
Chairman, Committee on Appropriations

The Honorable Thad Cochran
Ranking Member, Committee on Appropriations

Dear Chairman Byrd and Ranking Member Cochran:

On behalf of the Industrial Energy Consumers of America (IECA), we urge the Committee on Appropriations to support removing the moratorium on the production of oil and natural gas in the Outer Continental Shelf (OCS). A vote against removing the moratorium is a vote for high sustained energy prices. A vote for removing the moratorium is a vote for taking control of our energy security and for lower energy prices. Consumers are counting on you.

IECA is a 501 (C) (6) nonprofit organization created to promote the interests of manufacturing companies for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: plastics, cement, paper, food processing, brick, chemicals, fertilizer, insulation, steel, glass, industrial gases, pharmaceutical, aluminum and brewing.

As significant consumers of energy, our competitiveness and jobs are dependent upon the cost and reliability of energy. We are particularly concerned about the supply and price of natural gas. As you debate the moratorium issue, we encourage you to consider the following key points.

1. *Increased supply means lower prices.*
   Unlike crude oil prices that are set globally, natural gas prices are set locally by US supply versus demand fundamentals. The implications of this are significant. This means that if the US increases domestic supply (versus demand), the price will go down.

2. *Increased supply means avoiding dependency upon OPEC and avoids increasing the trade deficit.*
   This means that if we increase supply we begin to control our destiny and avoid becoming dependent upon imports. If we do not increase supply and become dependent upon LNG, we become dependent upon OPEC cartel countries and will increase our import/export trade imbalance. Crude oil imports are about $800 billion per year.

3. *Increased supply means lower prices and avoids demand destruction by the manufacturing sector. The reverse is true as well. Lower supply means higher prices and more job loss.*
   Since 2000, high natural gas prices have been a significant factor in the loss of 3.3 million or 19.2 percent of all manufacturing jobs. Natural gas is used as both a fuel and feedstock.

4. *Increased supply is absolutely essential to meet growing demand and to meet the climate challenge.*
   Despite record well completions, production of natural gas from 2000-2007 is flat and demand has increased by 9.8 percent (see attachment). Please note that electricity demand

for natural gas has increased by 35 percent since 2000 which is being driven by climate policy issues. Natural gas is the 'bridge fuel' until other low-carbon energy alternatives emerge. Because of the lead-lag time to produce more natural gas, it is essential Congress acts in advance of climate mandates.

If recent geopolitical events have taught us anything, our nation must develop energy supplies right here in America. Our country's economic success and quality of life are dependent upon a robust, diverse and affordable supply of energy. We cannot increase our energy security by denying access to much of the country's offshore natural gas and oil resources. Eighty-nine percent of the OCS acreage in the lower 48 states has been placed off limits.

We look forward to working with you to increase domestic supply as quickly as possible.

Sincerely,

Paul N. Cicio
President

Attachment
Copy: Senate Committee on Appropriations

Attachment

(Graph 1.) Natural Gas Number of Gas and Gas Condensate Wells (Thousands)*

	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
Number of Wells	341.7	373.3	387.8	393.3	406.1	425.9	448.6	NA

(Graph 2.) Natural Gas Production (Trillion Cubic Feet)*

	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*Difference*
Dry Production	19.2	19.6	18.9	19.1	18.6	18.1	18.5	19.3	0%

(Graph 3.) Natural Gas Consumption by End Use (Million Cubic Feet)*

	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*Difference*
Total Consumption	22.5	22.2	23.0	22.3	22.4	22.2	21.9	23.6	+9.8%
Residential	5.0	4.8	4.9	5.1	4.9	4.8	4.4	4.9	-2%
Commercial	3.2	3.0	3.1	3.2	3.1	3.1	2.9	3.1	-3%
Industrial	8.1	7.3	7.5	7.2	7.2	6.7	6.6	6.8	-16%
Electric Power	5.2	5.3	5.7	5.1	5.5	5.9	6.2	7.0	+35%

**** Energy Information Administration***