

July 22, 2010

The Honorable Harry Reid
Senate Majority Leader

The Honorable Mitch McConnell
Senate Minority Leader

The undersigned manufacturing and agriculture organizations are deeply concerned about legislation that the Senate may consider in the ensuing debate on energy and climate that would provide incentives or mandates that artificially increase the demand of natural gas in the power and transportation sectors. We urge the Senate to allow the market to set supply and demand for natural gas instead of picking “winners” and “losers” through legislation.

As manufacturers that rely heavily on the use of natural gas as both an energy source and an essential raw material or “feedstock” we are concerned that legislative fuel switching incentives could result in short and long-term price volatility and higher prices, causing further industrial “demand destruction” that forces good U.S. manufacturing jobs to overseas competitors. Higher natural gas prices will also impact electricity prices.

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

Legislating increased natural gas demand by creating incentives is misguided energy and public policy. Advocates of this approach often point to the cleaner properties of natural gas as opposed to coal while promoting policies that will result in fuel switching to natural gas. But if a product is abundant and affordably priced and emits fewer greenhouse gases, the market will respond by increasing demand for the product. We are already seeing electricity generators move from coal-fired power plants to natural gas because of the existing permitting process and the perception that there will be a price on carbon in the future. In fact, according to the Energy Information Administration, demand by the power sector increased 28 percent since 2001 while total US demand rose by only 2.7 percent.

We are encouraged and cautiously optimistic by the recent reports from suppliers of natural gas and other experts regarding a new abundant supply of natural gas from shale formations. We are of the belief that natural gas from shale has the potential to contribute to US natural gas reserves. 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.

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 sector to regain its rightful place in a healthy and growing economy.

We are happy to speak to you at greater length on the importance of affordable energy as you work toward a bipartisan comprehensive energy and climate bill. On behalf of the coalition, you may contact Paul Cicio at 202-223-1661.

Sincerely,

Ag Processing Inc., a cooperative
Agriculture Retailers Association
Aluminum Association
American Chemistry Council
American Forest & Paper Association
American Foundry Society
Brick Industry Association
Brandt Consolidated
California League of Food Processors
CF Industries Holdings, Inc.
Charlotte Pipe and Foundry Company
Chemical Industry Council of Illinois
Chicago Extruded Metals Company
Commercial Steel Treating Corporation
Copper and Brass Fabricators Council, Inc.
Council of Industrial Boiler Owners
Curtis Metal Finishing Company
Dalton Foundry, Inc.
DeBruce Fertilizer, Inc.
Dow Corning Corporation
Eastman Chemical Company
Forging Industry Association
Gallatin Steel
General Shale Brick, Inc.
Gerdau Ameristeel
Glass Association of North America
Glass Manufacturing Industry Council
Glass Packaging Institute
GROWMARK, Inc.
Guardian Industries
Industrial Energy Consumers of America
Illinois Fertilizer & Chemical Association
International Chemical Corporation
Kimberly-Clark Corporation

Koller-Craft Plastic Products
Land O' Lakes, Inc.
Lehigh Hanson, Inc.
Meat Treating Institute
MeadWestvaco Corporation
Minnesota Agri-Growth Council
Muscatine Food Corporation
National Association of Surface Finishing
National Bronze and Metals, Inc.
National Grange
Nebraska Agri-Business Association, Inc.
North American Die Casting Association
Oregon Wheat Growers League
Ormet Corporation
PotashCorp
PPG Industries, Inc.
Process Gas Consumers Group
Rain CII Carbon, LLC
Rubber Manufacturers Association
Smurfit Stone Container Corporation
South Dakota Agri-Business Association
Southern Crop Production Association (Georgia)
SPI: The Plastics Industry Trade Association
SSAB Americas
Steel Manufacturers Association
The Andersons, Inc.
The Dow Chemical Company
The Fertilizer Institute
The Mosaic Company
The National Corn Growers Association
The Refractories Institute
The Timken Company
Wisconsin Industrial Energy Group

Cc: U.S. Senate