



Industrial Energy Consumers of America

The Voice of Industrial Energy Consumer

1155 15th Street, NW, Suite 500 • Washington, D.C. 20005
Telephone 202-223-1661 • Fax 202-223-1420 • www.ieca-us.org

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H.R. 3221 “House Energy Bill -- Will Decrease Domestic Energy Supply, Decrease Energy Security and Increase the Price of Natural Gas and Electricity to Home Owners, Farmers and Manufacturers”

We recognize this bill represents the best intentions of this Congress and acknowledge the political difficulty and complexity of these important issues. Nonetheless, we are so deeply concerned with so many provisions in this bill that we strongly encourage you to oppose this bill. Reduction of natural gas production also jeopardizes our ability to reduce greenhouse gas emissions. Consumers are alarmed and worried about the impact of this bill and the misdirection of our energy policy.

IECA is a national non-profit non-partisan cross-industry trade association whose membership is exclusively from the manufacturing sector. IECA does not have a political action committee. Corporate board members are almost exclusively senior energy managers.

As large consumers of energy, our competitiveness is dependent upon reliable and globally competitive energy prices. Since 2000, natural gas and electricity prices have increased substantially (charts 1 & 2) and significantly contributed to the loss manufacturing jobs (chart 3). Without globally competitive energy, many more jobs will be lost.

Domestic supply of natural gas has declined by 4% since 2000 (chart 4) and is very fragile. Even a small reduction in production will result in a significant natural gas price increase. For example, Hurricane Katrina reduced natural gas production by only 5% for five months but cost consumers \$40.8 billion more in increased natural gas prices than paid in the same months for the previous year. For every \$1.00 per mm Btu natural gas price increase, U.S. consumers will pay \$22 billion more each year until production is increased. While IECA supports both energy efficiency and expanded supply from renewable energy, the availability of natural gas will determine how many U.S. jobs are lost in the near term for manufacturing.

IECA is grateful for recent modest changes to the energy bill but these changes are insignificant relative to the damage of the entire package of provisions. We are particularly disturbed by the addition of the Roan Plateau, Colorado provision that would prevent production of 9 trillion cubic feet of badly needed natural gas. This amendment was never addressed in Committee. This plot of ground is federal land and is owned by every American in the country and we rightfully deserve to have access to the 1% of the area needed to produce this natural gas.

FACTS ON MANUFACTURING EMPLOYMENT, NATURAL GAS AND COST OF ELECTRICITY

Chart 1
Natural Gas Prices (Dollars per Thousand Cubic Feet)

	2000	2001	2002	2003	2004	2005	2006	Difference
<i>Residential</i>	7.8	9.6	7.9	9.6	10.8	12.8	13.8	+77%
<i>Commercial</i>	6.6	8.4	6.6	8.4	9.4	11.6	12.0	+82%
<i>Industrial</i>	4.5	5.2	4.0	5.9	6.5	8.6	7.9	+76%
<i>Electric Power</i>	4.4	4.6	3.7	5.6	6.1	8.5	7.1	+61%

Source: Energy Information Administration

Chart 2
Cost of Electricity (\$/MWH) (2006)

Nuclear	Coal	Natural Gas	Non-Hydro Renewable
\$13.54	\$20.80	\$49.51	\$68.00

Source: Energy Information Administration

Chart 3
U.S. Manufacturing Jobs (Millions)

2000	2001	2002	2003	2004	2005	2006	Difference
17.2	16.4	15.2	14.5	14.3	14.2	14.1	-18%

Source: U.S. Department of Labor

Chart 4
Natural Gas and Production (Volumes in Trillion Cubic Feet)

	2000	2001	2002	2003	2004	2005	2006	Difference
<i>Dry Production</i>	19.2	19.6	18.9	19.1	18.6	18.1	18.5	-4%

Source: Energy Information Administration

Natural Gas Consumption by End Use (Million Cubic Feet)

	2000	2001	2002	2003	2004	2005	2006	Difference
<i>Total Consumption</i>	21.5	22.2	23.0	22.3	22.4	22.2	21.9	+1.9%
<i>Residential</i>	5.0	4.8	4.9	5.1	4.9	4.8	4.4	-12%
<i>Commercial</i>	3.2	3.0	3.1	3.2	3.1	3.1	2.9	-9%
<i>Industrial</i>	8.1	7.3	7.5	7.2	7.2	6.7	6.6	-19%
<i>Electric Power</i>	5.2	5.3	5.7	5.1	5.5	5.9	6.2	+19%

Source: Energy Information Administration

Natural Gas Wells Produced (In Thousands)

	2000	2001	2002	2003	2004	Difference
<i>Producing Wells</i>	342	373	388	393	405	+18%

Source: Energy Information Administration