



Industrial Energy Consumers of America

The Voice of the Industrial Energy Consumers

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September 15, 2008

The Honorable Nancy Pelosi
Speaker of the House
Washington, DC 20515

Dear Madam Speaker:

We thank you for placing domestic energy production at the top of the September legislative priorities. Together, we must act to solve our energy crisis that is impacting every American and threatens the competitiveness of our manufacturing sector. On behalf of the Industrial Energy Consumers of America (IECA), we look forward to working with you to increase domestic production of affordable and reliable energy and to increase conservation and efficiency across all sectors of the economy.

The Industrial Energy Consumers of America is an association of leading manufacturing companies with \$500 billion in annual sales and with more than 850,000 employees nationwide. It is an 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.

As significant consumers of energy, our competitiveness is largely determined by the cost of energy and especially natural gas and electricity. Given this, we have reviewed key components of your legislation and offer the following comments.

Your legislative provision to open the outer continental shelf (OCS) to drilling is a bold positive step and we applaud you for it. However, unless modified, it will not result in increased offshore production. To increase production, either remove the provision that requires a state to approve drilling in their offshore areas or provide royalty incentives to states who agree to allow drilling. Also, the 50 mile requirement is problematic because according to the Minerals Management Service 80 percent of our known natural gas and oil reserves are located within 50 miles offshore. If our goal is to increase domestic production and increase our nation's energy security, we must not limit drilling to beyond the 50 miles.

IECA also encourages you to allow production access to the Alaska National Wildlife Refuge. This is an area in Alaska that is the size of the Los Angeles airport with tremendous known hydrocarbon resources that will significantly add to our national energy security.

IECA strongly oppose provisions that provide monetary incentives and mandates to use compressed natural gas (CNG) as a motor vehicle fuel. The transportation fuels market already has alternatives and is developing more options in which to fuel their market while home owners, farmers and manufacturers who use natural gas do not. This

provision puts the transportation market in direct competition for the same natural gas and will result in much higher prices. We urge you to delete this provision from your legislation. Later, after we have had several years of increased natural gas production such an initiative could be re-visited.

Increasing demand without first significantly increasing supply could devastate the manufacturing sector that relies upon natural gas for both fuel and feedstock. We have lost over 3.0 million high paying manufacturing jobs since 2000 and high natural gas prices have played a significant role.

According to the Energy Information Administration, natural gas demand has grown by 9.8 percent since 2000 while production has remained flat despite record well completions. Production in 2000 was 19.2 trillion cubic feet versus 19.3 trillion cubic feet in 2007. Recent growth in natural gas from shale is encouraging, but this has not yet shown sufficient production to accommodate the growing demand by the power sector let alone provide additional supplies for the motor vehicle industry.

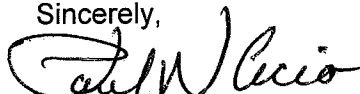
Congress has a history of passing mandates that increase demand for natural gas while simultaneously failing to put in place a long-term framework to increase production – this must change. Federal mandates such as the low-sulfur fuels standard and the bio-fuels (ethanol) mandate both increased demand for natural gas. And, pressure to reduce greenhouse gas emissions has resulted in a 35 percent increase in natural gas demand by the power sector. Together, the increases in demand and resulting higher price significantly contributed to the erosion of US manufacturing base since 2000.

IECA does not support the federal Renewable Portfolio Standard (RPS). Incentives, not mandates are the appropriate way to increase the nation's supply of renewable energy. States that have abundant renewable energy resources have enacted programs while those not endowed have not done so for good reason. A federal RPS would have a devastating impact on the global competitiveness of the pulp and paper industry that uses biomass as a feedstock and fuel. We urge you to delete this provision from your legislation.

For both cost and security reasons, it is important the Congress support research and deployment of carbon capture and sequestration (CCS) technology to use our vast coal reserves. IECA is troubled with this provision because it increases the price of electricity to us and to consumers thru a wires charge. It is essential that the provision be modified to ensure that the wires charge be paid for by 'all' consumer classes and that it specifically designate that no less than 10 percent of the revenues be directed for industrial applications for CCS.

Thank you for considering our views and we look forward to working with you.

Sincerely,



Paul N. Cicio
President

Cc: House of Representatives