



## Industrial Energy Consumers of America (IECA)

The Energy Voice of Industrial Energy Consumers

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### Implication of Reduced Natural Gas Production Volume From HR 2337, the “Energy Policy Reform and Revitalization Act of 2007”

*Conclusion: This analysis shows that even a small reduction in production can result in an enormous impact on the price of natural gas. Katrina reduced US production by only 5% for five months but cost consumers \$40.8 billion more in increased natural gas prices over a five month period than paid in the same months of the previous year.*

Determining how much more consumers paid for natural gas as a result of the loss of only 5% of production for only five months as a result of Katrina, can be helpful in understanding the implications of potential reduced production as a result of the Rahall bill HR 2337.

It is important to recognize that it was only this year that production that is coming back on stream has done so. So, the total cost of Katrina was in reality significantly higher.

This analysis compares the reduced production volume in August, September, October, November and December of 2005 versus the same months in 2004 and the resulting higher prices.

#### NYMEX PRICES (\$ mm BTU)

	2004	2005	Price Increase
August	\$6.05	\$7.65	+ 1.60
September	\$5.08	\$10.85	+ 5.77
October	\$5.72	\$13.91	+ 8.19
November	\$7.63	\$13.83	+ 6.20
December	\$7.98	\$11.18	+ 3.20

Source: NYMEX

#### TOTAL U.S. PRODUCTION (MMcf)

	2004	2005
August	1,575,564	1,541,339
September	1,476,771	1,344,185
October	1,543,492	1,417,356
November	1,508,532	1,444,968
December	1,549,599	1,522,552
<b>TOTAL</b>	<b>7,653,958</b>	<b>7,270,400</b>

**Net loss of 383,558 or 5% of U.S. production versus the same months of previous year**

Source: EIA

	Price Increase/mm btu x Total Consumption/mm cubic feet* times 1000 btu/cubic feet = Total Cost \$MM		
August	\$1.60	1,712,264	\$2,739,622,000
September	\$5.77	1,437,990	\$8,297,202,000
October	\$8.19	1,444,723	\$11,832,281,000
November	\$6.20	1,681,395	\$10,424,649,000
December	\$3.20	2,347,941	\$7,513,411,000
<b>TOTAL</b>			<b>\$40,807,165,000</b>

\*Source: EIA