

US Manufacturing's Future is Strongly Linked With That of the Coal Industry

“We sink or swim together”

Paul Cicio
President

Industrial Energy Consumers of America
June, 2007

IECA Membership

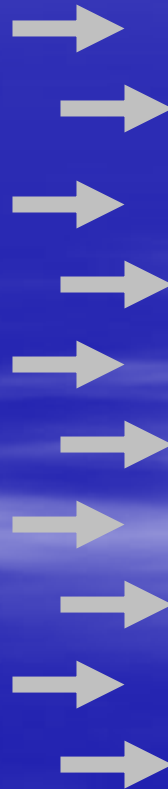
- Abbott Laboratories
- Ag Processing Inc
- Air Liquide America
- Air Products Corporation
- BASF Corporation
- Celanese
- Coors Brewing Company
- Delphi Corporation
- Dow Corning Corporation
- Eastman Chemical Company
- FMC Corporation
- General Shale Brick
- Huntsman Corporation
- Holcim
- International Paper Company
- IPSCO Steel Company
- Lyondell Chemical Company
- MeadWestvaco Corporation
- NewPage Corporation
- Nucor Corporation
- Ormet Corporation
- Owens Corning Corporation
- Riceland Foods, Inc.
- Rohm & Haas Company
- Sasol North America
- Terra Industries, Inc.
- The Timken Company
- Tyson Foods, Inc.
- US Steel Corporation

Who Are Energy Price Sensitive Industries?

Building Block Industries

- Fertilizer
- Chemicals
- Plastics
- Industrial gases
- Glass /ceramics
- Brick
- Steel
- Aluminum
- Pulp and Paper
- Cement
- Food Processing

Convert
to



Commercial & Consumer Products

- Food Production
- Detergents
- Automobiles
- Computers
- Construction
- Medical Supplies
- Paint
- Pharmaceuticals
- Cosmetics
- Telecommunication

Why Are These Industries Located In The United States?

Access to the customers, quality of workforce, stability of government, reliability of energy supply and globally competitive energy-

Resulted in long-term investment in the U.S.

*Only one has changed significantly
...natural gas and electricity costs.*

Impact of High Natural Gas and Electricity Prices

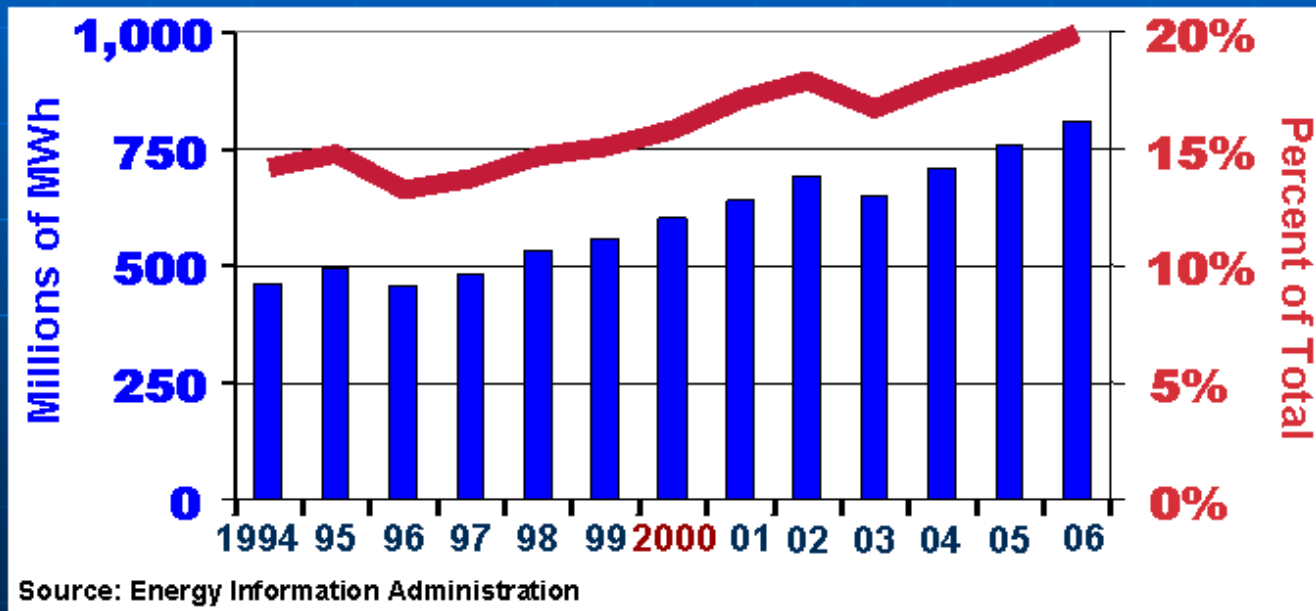
- Major reason for loss of 3.2 million high paying manufacturing jobs since year 2000
- Continued dismantling of energy intensive manufacturing
- Increased trade deficit via imports of manufactured goods

We Sink or Swim Together – Why?

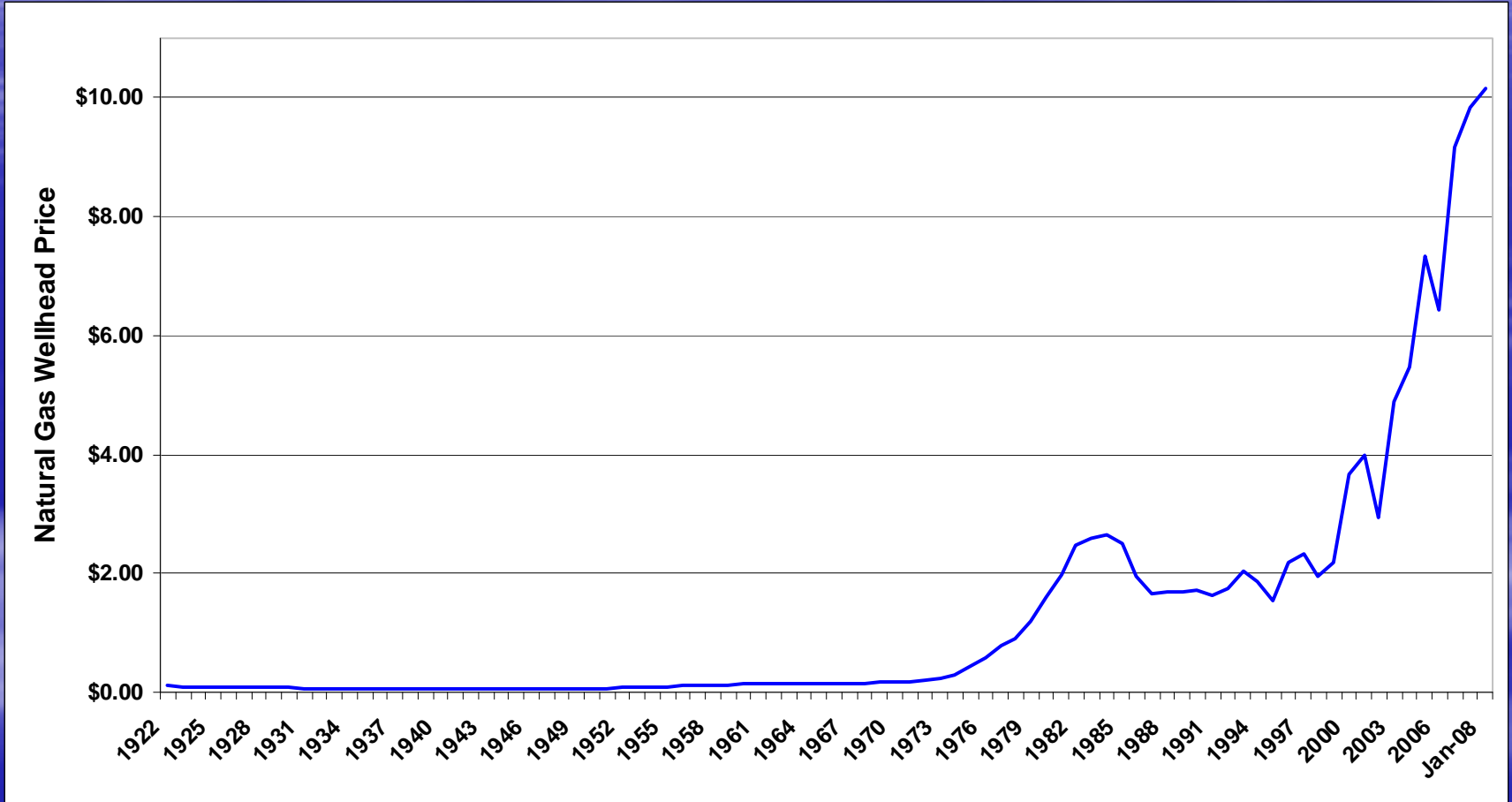
- Energy intensive manufacturing in the US is losing competitiveness due to high relative natural gas and electricity costs
- Problem: Electric generators are consuming large amounts of natural gas – driving up the price of natural gas and electricity
- Solution: Greater use of coal for base load power generation and as future source of methane and feedstock for manufacturing.

Natural Gas Continues to Increase Share of Power Generation Market

Natural Gas Grows as Generation Fuel in Size and Share

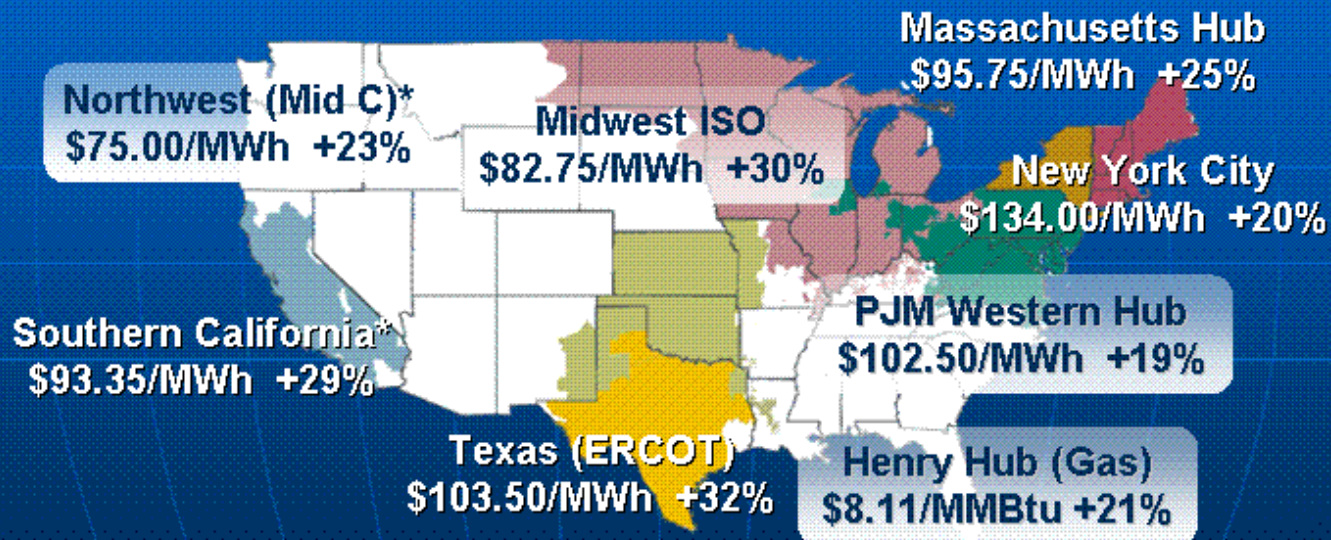


NYMEX Natural Gas Prices



High Natural Gas Prices are Increasing Electricity Prices

Summer 2007 Forward Prices Now Higher Than 2006 Actual Prices



* Western prices are for 3rd quarter.

Sources: Platts for forward electricity prices for July and August 2007, NYMEX and ICE for gas. All prices effective 5/11.

Electric Power Research Institute

“Even though natural gas is used to produce only 20 percent of the electricity, it accounts for 55% of the electric industry’s entire fuel expense (\$50B out of \$91B).”

Mfg'ing Natural Gas Demand

Destruction of 1.5 TCF or 18.5 %

The US is balancing natural supply on the backs of the manufacturing jobs!!

Natural Gas Demand

	Mfg*	U.S. Total*
2000	8.1	23.3
2001	7.3	22.2
2002	7.5	23.0
2003	7.1	22.3
2004	7.2	22.4
2005	6.7	22.2
2006	6.6	21.9

*Trillion cubic feet

(EIA)

Manufacturing Employment Directly Impacted by High Natural Gas and Electricity Costs (in Millions)

<u>Year</u>	<u>Jobs</u>	<u>GDP</u>
■ 1999	17.3	4.7
■ 2000	17.2	2.2
■ 2001	16.4	.02
■ 2002	15.2	2.3
■ 2003	14.5	4.4
■ 2004	14.3	3.9
■ 2005	14.2	3.5
■ 2006	14.1	3.3

Net loss of 3.2 million jobs or 18.5% (Labor Dept)

We Sink or Swim Together – Why?

- Under a carbon constrained US, the manufacturing and coal industries will be at a distinct competitive disadvantage with respective competitors.
- Solution: Technology solutions to reduce, avoid, capture and sequester carbon economically. (We need low cost energy)

Major Concern: Coal to Natural Gas Fuel Switching

March 26, 2007

Senate Committee on Energy & Natural Resources
Hearing on European Union's Emissions Trading Scheme

Question by Senator Bob Corker about carbon trading and price signals:

“The level at which you are trading now...the 16 dollars. Is that a level that really creates enough pain for people to invest in technology or is that still way below what causes people to actually make investments in technology?”

Answer by Garth Edwards: Shell Oil, Trading Manager – Environmental Products, London, England

“The bulk of emission reductions in the EU are made actually by coal to gas (natural gas) fuel switching in power stations. And any price will start to change the dispatch of power plants...and start change away from coal into gas (natural gas). It certainly is the case that prices of 16 Euros or \$24, what ever, will start to change those dispatch decisions. Yes.”

The Industrial Energy Consumers of America
looks forward to working with the National
Coal Council and its members.

Industrial Energy Consumers of America

- 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.

www.ieca-us.org

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