Industrial Energy Consumers of America (IECA)
The Voice of the Industrial Energy Consumers

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January 30, 2023

The Honorable Cathy McMorris Rodgers
Chair
House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Frank Pallone, Jr.
Ranking Member
House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Re: Comments for the Record on the "American Energy Expansion: Strengthening Economic, Environmental, and National Security" Hearing

Dear Chair McMorris Rodgers and Ranking Member Pallone:

Thank you for the opportunity to provide comments for the record on the "American Energy Expansion: Strengthening Economic, Environmental, and National Security" hearing.

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.1 trillion in annual sales, over 12,000 facilities nationwide, and with more than 1.8 million employees worldwide. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, independent oil refining, and cement.

I. Use the Defense Production Act (DPA) to build needed natural gas pipeline capacity for the manufacturing sector from Alabama to New York to boost American manufacturing investments, job creation and bolster national security.

Today, there is either none or very limited firm pipeline capacity available on the east coast and the firm capacity that is available is being taken by entities that can pass those scarcity prices to customers. This has put existing manufacturing operations at risk and threatens to halt investments in expansions or new facilities. The entire eastern seaboard is supplied by one major pipeline, the Transcontinental Gas Pipeline (Transco). Transco has plans to expand pipeline capacity, but the expansions are insufficient and will start operating in 2025 at the earliest. Also, it is our understanding that these pipeline expansions will not benefit Transco Zone 5 Virginia and North Carolina consumers. Without natural gas pipeline capacity, the U.S. has neither natural gas or electric reliability, which threatens national security, supply chains, investments, and job creation.

There is no good alternative fuel to replace natural gas in manufacturing processes. With capital investments, other fuels such as coal, fuel oil, or propane can replace natural gas, but are undesirable alternatives. Equipment using natural gas cannot be switched to electricity. Plus, a BTU of natural gas energy is much less expensive than a BTU of energy from electricity.

There are major economic and job implications. The manufacturing sector is a significant contributor to the Eastern seaboard (see figure 1). In 2021, combined manufacturing sector contributions include 3,407,700 jobs, 30,461 facilities, and $638 billion in GDP, which is roughly 10 percent of combined total state GDP. Combined state natural gas consumption is as follows: manufacturing 1,340,881 million cubic feet (MMcf), electric power 4,700,586 MMcf, and residential 1,381,179 MMcf.

Because there is no new pipeline capacity available in the near term, the only solution is to use the Defense Production Act (DPA) to intervene at the state level to require electric utilities to temporarily delay the shutdown of coal-fired power generation and the building of new natural gas fired generation. And or, require companies that are holding firm pipeline transportation to release unused capacity for market use. Companies who hold this capacity are natural gas marketers, utilities, and LNG exporters. Finally, we urge use of the DPA to build more natural gas pipeline capacity.

There are 59 coal-fired generating units along the Transco pipeline that electric utilities plan to voluntarily shutdown and replace with natural gas-fired power. Replacing these facilities with natural gas generation would significantly increase demand by 10 billion cubic feet a day (Bcf/day) and directly impact manufacturing facilities by further reducing potential available pipeline capacity.[1]

On the East Coast, every year, manufacturing companies face growing natural gas scarcity due to the lack of interstate natural gas pipeline capacity. Inadequate pipeline capacity is negatively impacting our ability to operate existing facilities. During winter and summer peak natural gas demand, manufacturers are the first to be curtailed. When this happens, manufacturers must reduce, or stop operating their facilities with a significant economic impact that could cost millions of dollars per day. Last winter, for areas like Transco Zone 5, manufacturers paid over $20 per MMBtu for their natural gas. Until additional pipeline capacity or compression is added, our only hope to avoid more serious shortfalls of supply is to temporarily delay the shutdown of coal-fired generation.

Pipelines that would have provided needed supply like the Atlantic Coast Pipeline have been stopped by activists. Mountain Valley Pipeline (MVP) may provide limited relief to the area (its primary role is to supply LNG to the Gulf Coast). However, as you know, MVP has been stopped by activists.

Manufacturers will not expand in the region without a reliable supply of energy. Manufacturers will build new facilities in other states with robust supply.

In March 2022, the Energy Information Administration (EIA) released its report, “Exploration of the No Interstate Natural Gas Pipeline Builds Case,” a study that explores the implications of not

[1] S&P Global, March 3, 2022

building interstate pipelines that adds insight into the seriousness of the problem.[2] The following is included in the study:

> We find that not building interstate natural gas pipelines affects some regions significantly more than others. We found that East North Central, Middle Atlantic[3] and South Atlantic[4] regions were the most sensitive to changes in pipeline capacity because of limitations to growth in production in the Appalachia Basin (see page 2).

These states and their supply chain will miss out on reshoring of manufacturing jobs. Because natural gas prices are lower in the U.S., European companies are investing in the U.S., but not in states without robust reliable supplies of natural gas. The Wall Street Journal stated that European foreign direct investment in the U.S. increased to about $3.2 trillion last year from a year earlier.[5]

FIGURE 1 - STATISTICS BY STATE

States, 2021	Natural Gas Consumption (Million cubic feet)			# Industrial Consumers	# Manufacturing Employees (Thousands)	State GDP ($Millions)	State Manufacturing GDP ($Millions)
	Industrial	*Electric Power*	*Residential*				
Alabama	232,804	383,354	32,188	3,522	265.8	209,979.3	39,631.7
Georgia	162,005	418,660	126,670	2,772	405.2	575,292.2	64,944.7
Maryland	18,720	99,760	76,874	1,138	110.0	368,571.1	26,409.6
New Jersey	60,186	222,585	232,225	6,696	243.1	566,893.2	60,496.2
New York	89,731	448,621	445,564	6,044	415.6	1,514,779.2	75,235.9
North Carolina	122,230	355,937	72,067	2,672	465.9	541,933.8	102,344.7
Pennsylvania	240,907	859,281	226,453	4,482	545.4	710,973.1	101,947.2
South Carolina	99,792	178,223	33,205	1,429	254.0	221,045.0	39,264.7
Virginia	112,372	384,734	81,261	989	235.0	505,351.0	49,498.6
Delaware	32,826	21,920	11,524	130	25.1	64,404.7	5,600.1
Florida	131,299	1,307,497	19,330	496	396.6	1,029,575.6	64,480.3
West Virginia	38,009	20,014	23,818	91	46.0	71,343.2	8,488.8
Total	**1,340,881**	**4,700,586**	**1,381,179**	**30,461**	**3,408**	**6,380,141**	**638,343**

Sources: Natural Gas Annual, U.S. Energy Information Administration (EIA), https://www.eia.gov/naturalgas/annual/; State Employment, U.S. Bureau of Labor Statistics, www.bls.gov; and GPD by State, U.S. Bureau of Economic Analysis, www.bea.gov

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[2] "Exploration of the No Interstate Natural Gas Pipeline Builds Case," https://www.eia.gov/outlooks/aeo/IIF_pipeline/pdf/AEO2022_IIF_pipelines.pdf
[3] Pennsylvania, New Jersey, New York
[4] Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia
[5] "U.S.-Europe Trade Booms as Old Allies Draw Closer," November 21, 2022, https://www.wsj.com/articles/u-s-europe-trade-booms-as-old-allies-draw-closer-11668914679?mod=Searchresults_pos1&page=1

Finally, we note that the U.S. imports approximately $1 trillion of manufactured goods per year. These are products that could be manufactured in the U.S., which would substantially increase jobs, GDP, and reduce global GHG emissions. U.S. manufacturing GHG emissions per unit of production are only about one-third that of countries like China. But we cannot do that without increased pipeline capacity.

Thank you for the opportunity to provide input. We look forward to working with you.

Sincerely,

Paul N. Cicio
Paul N. Cicio
President & CEO

cc: House Committee on Energy and Commerce

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