

**HEARING TO REVIEW FERC'S RECENT GUIDANCE ON  
NATURAL GAS PIPELINES**

**SENATE COMMITTEE ON ENERGY AND NATURAL  
RESOURCES**

**MARCH 3, 2022**

**COMMENTS FOR THE RECORD  
OF**

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## EXECUTIVE SUMMARY

The Industrial Energy Consumers of America (IECA) has concern regarding the FERC's recently released certificate policy statement for interstate natural gas pipelines. The new guidelines will make it increasingly more difficult, if not impossible, to permit new interstate natural gas pipelines. Without more pipeline capacity there is no natural gas or electric reliability. And without energy reliability, there is no national or economic security. The manufacturing sector needs confidence in the U.S.'s energy infrastructure reliability, not regulatory and reliability uncertainty. Pipelines are no different than our interstate highways. They are critical infrastructure of which without, we reduce our nation's capabilities to that of third world countries.

Without increased pipeline capacity, our industries cannot grow. Manufacturers are facing regional shortfalls of natural gas pipeline capacity right now from South Carolina to Maine that are disrupting production, supply chains, increasing their costs, and shuttering investments and high paying middle class jobs. It is for this reason that on February 16, 2022, IECA requested a FERC technical conference to address federal and state interstate natural gas pipeline coordination, and previously we have sent requests to this Committee to take action to ensure pipeline reliability.<sup>1</sup>

Finally, the FERC guidance explicitly states that all costs incurred by the pipeline to comply with the guidance, including the mitigation of climate impacts, may be recovered in their rates. As always, federally imposed regulations are passed onto consumers.

## INDUSTRIAL ENERGY CONSUMERS OF AMERICA

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.1 trillion in annual sales, over 11,700 facilities nationwide, and with more than 1.8 million employees worldwide. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration 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. 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.

## COMMENTS FOR THE RECORD

On behalf of the member companies of IECA, of which 100 percent are manufacturing companies, we are concerned about the implications of the recently released FERC guidance that imposes significant new requirements for permitting of interstate natural gas pipelines. This will make it even more difficult to build needed pipeline capacity for economic growth and reliability. The manufacturing sector is already facing substantial increases in regional curtailments and operational flow orders (OFOs) that will eventually become curtailments.

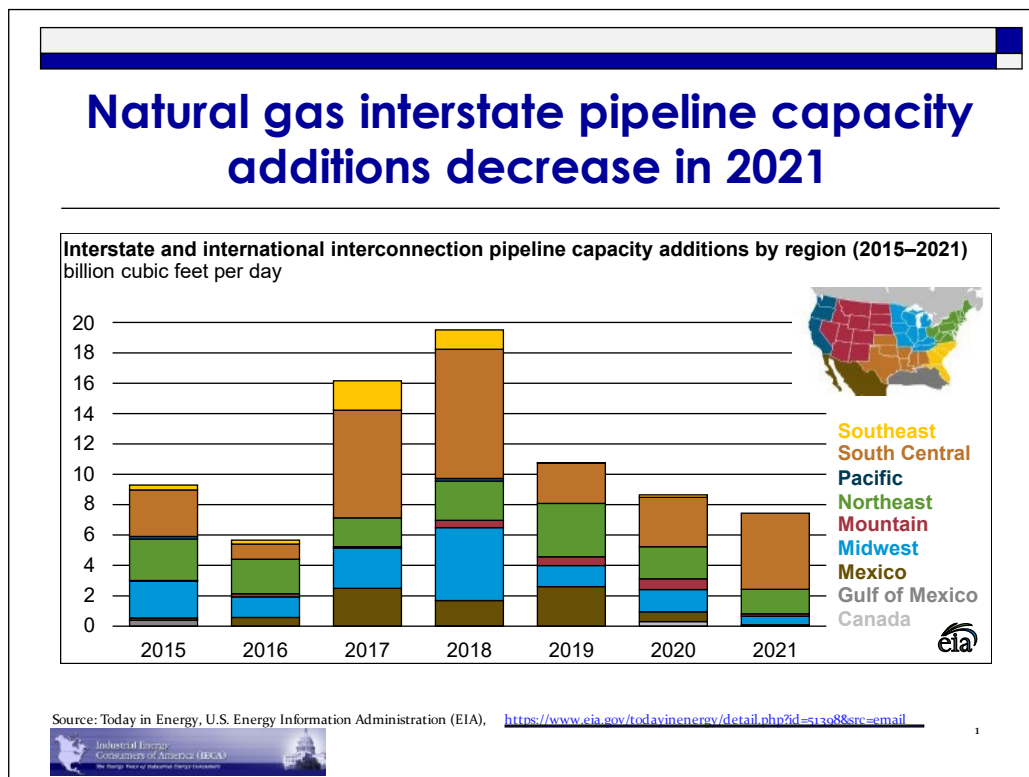
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<sup>1</sup> "Manufacturers Request that FERC Hold Technical Conference on Federal-State Interstate Natural Gas Pipeline Coordination and Oversight to Increase Reliability," February 16, 2022, [https://www.ieca-us.com/wp-content/uploads/02.16.22\\_Request-for-FERC-Technical-Conference\\_FINAL.pdf](https://www.ieca-us.com/wp-content/uploads/02.16.22_Request-for-FERC-Technical-Conference_FINAL.pdf) and "Lack of Interstate Natural Gas Pipeline Capacity Threatens Manufacturing Operations, Investments, Jobs, and Supply Chain," February 9, 2022, [https://www.ieca-us.com/wp-content/uploads/02.09.22\\_NG-Pipeline-Capacity\\_FINAL.pdf](https://www.ieca-us.com/wp-content/uploads/02.09.22_NG-Pipeline-Capacity_FINAL.pdf)

The manufacturing sector does not have an alternative to natural gas. Much of our equipment only operates on natural gas, not electricity. Plus, a Btu of energy from electricity is much more expensive than a Btu of natural gas.

When confronted with a reduction of natural gas supply, manufacturing companies have limited options, none of which are satisfactory. They can cut back production rates or stop production all together, shift production to other sites across the country, or switch to backup energy sources like diesel, biomass liquor (paper companies), coal, and propane, if those options are available. Most companies do not have alternatives. We are dependent upon natural gas.<sup>2</sup>

The U.S. interstate natural gas pipeline system has been the envy of the world. However, in recent years fewer new pipelines have come into service. The EIA reports that 2021 had the lowest amount of capacity added to interstate natural gas transmission since 2016. They also highlighted that there has been a decrease every year since 2018.<sup>3</sup> Two-thirds of the 2021 added capacity was for purposes of supply for LNG exports and not to serve the domestic market.



Historically, we have had surplus natural gas pipeline capacity. Regionally, that is no longer the case. Reliability is a core issue. The situation is getting worse each year and has implications to our nation’s supply chain, inflation, national security, and the growing trade deficit.

<sup>2</sup> IECA: EIA Explains Why U.S. Manufacturing Cannot Switch from Natural Gas to Electricity, [https://www.ieca-us.com/wp-content/uploads/07.15.21\\_MECS-Fuel-Switching-IECA-Statement.pdf](https://www.ieca-us.com/wp-content/uploads/07.15.21_MECS-Fuel-Switching-IECA-Statement.pdf)

<sup>3</sup> “Natural gas interstate pipeline capacity additions decrease in 2021,” U.S. Energy Information Administration (EIA), <https://www.eia.gov/todayinenergy/detail.php?id=51398>

Inadequate regional pipeline capacity, coupled with increasing demand from power generators and LNG exports is disrupting our nation's manufacturing supply chain. The problem is exacerbated during peak demand in the summer and winter seasons. When regional pipelines do not have the needed capacity to supply demand, manufacturing companies are the first to be impacted by gas-use restrictions, extremely high Gas Daily prices, and ultimate curtailment.

Regional interstate natural gas pipeline capacity shortages have also resulted in higher natural gas cash-market prices. For example, the Transco Zone 5 January 2022 average price was \$11.367 per MMBtu. On January 21, prices increased to \$21.80 per MMBtu.

Many manufacturers are deemed essential to the economy. However, when natural gas restrictions occur, only those users that absolutely need gas such as hospitals, residential homes, and entities able to afford the extremely high prices, such as LNG facilities and power generators, are first on the delivery list.

High natural gas prices are not a concern for the electric or gas utilities because they can pass costs onto consumers via their fuel adjustment mechanism. High prices are also not a concern to LNG exporters who benefit from exceedingly high global LNG prices. For manufacturing, competitiveness is directly impacted by higher prices for natural gas and electricity.

Thank you for the opportunity to comment on this important issue and your support of the manufacturing sector. We look forward to working with you.

Sincerely,

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