VERBAL TESTIMONY OF

PAUL N. CICIO

PRESIDENT

INDUSTRIAL ENERGY CONSUMERS OF AMERICA

BEFORE THE

SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

JULY 24, 2012

"NATURAL GAS AND TRANSPORTATION"

Thank you Chairman Bingaman and Ranking Member Murkowski and committee members for this opportunity to testify before you. My name is Paul Cicio and I am the President of the Industrial Energy Consumers of America (IECA).

IECA member companies are exclusively manufacturing companies and employ 650,000 people. IECA companies represents a diverse set of energy intensive industries including: chemicals, plastics, cement, paper, food processing, fertilizer, steel, glass, industrial gases, pharmaceutical and aluminum.

The manufacturing sector uses one-third of the U.S. natural gas and one-third of the electricity, of which about one-third is produced from natural gas. Natural gas is used as a fuel for the entire manufacturing sector – supporting 12 million jobs and as a feedstock for products such as nitrogen fertilizer and chemicals and plastics that are used in everyday life.

For energy intensive industries, relatively small changes in the price of natural gas and electricity can often determine whether they are competitive with global competitors.

From 2000 to 2011, the manufacturing sector lost 5.5 million jobs or 32 percent and high prices of natural gas significantly contributed to job losses. Over the last two years we have recovered only 466,000 jobs. This is a good start, but a long way from where we need to be to restore output and jobs to past levels.

FOUR KEY POINTS

1. IECA does not oppose the use of natural gas in the transportation market. We do oppose legislation or regulation that picks winners and losers – that provides direct or indirect incentives that result in higher demand for natural gas. Higher demand places upward pricing pressure on natural gas and raises manufacturing costs of natural gas and electricity directly impacting competitiveness.

2. The favorable economics and environmental advantages between natural gas and transportation fuels such as diesel and gasoline is driving the market toward greater use of natural gas. Our written testimony provides a stunning list of examples that show the market is working and government legislation is not needed.

3. IECA is becoming alarmed at the ever increasing potential demand and overreliance on natural gas. While we have an abundant supply, it appears that we also have explosive potential demand due to the suite of EPA regulations on the electric generators, EPA regulations on industrial boilers; one approved and fourteen applications to export natural gas, and increased use of natural gas by the industrial sector. Total

potential demand could increase 45 percent over the EIA base case for the period of 2012 to 2020.

4. While it appears that we have an abundant supply of natural gas, manufacturing is concerned about the growing threats to continued robust and economic production of natural gas. There are at least three potential major barriers: 1) Public opinion concerns regarding drilling and hydraulic fracturing; 2) government regulation and 3) actions by environmental organizations.

New regulations are concerning because we can recall that during the time frame of 2002 to 2006 when natural gas prices were doubling and tripling, producers wanted to drill and filed applications to drill (APD). Unfortunately, there were thousands of APDs backlogged because of the BLM. The natural gas was in ground, drillers wanted to drill and consumers needed the gas, but the government stood in the way. Now, new regulations may have the same effect but on both private and public lands.

In closing, we urge you to not artificially create new demand for natural gas that may jeopardize the manufacturing sector. Natural gas prices are already rising quickly. Today's NYMEX natural gas prices rise 84 percent by 2020, or a 9.5 percent annual increase. Let the markets work, and let end users compete for the natural gas without the government picking winners.

Thank you.