



## **DOE REQUEST FOR INFORMATION SEEKS INPUT ON BEST USES FOR DEFENSE PRODUCTION ACT TO BOLSTER NATIONAL SECURITY, BOOST AMERICAN MANUFACTURING, AND LOWER ENERGY COSTS**

November 30, 2022

Thank you for the opportunity to provide comments to the U.S. Department of Energy's (DOE) Office of Manufacturing & Energy Supply Chains and Office of Policy request for public input to inform how the Defense Production Act (DPA) authority provided to the DOE through Presidential Determinations could best be used as a tool to accelerate manufacturing and the deployment of clean energy technologies to bolster national defense, tackle climate change and environmental injustice, and improve employment opportunities and broader economic prosperity for Americans.

### **I. Industrial Energy Consumers of America (IECA)**

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.

### **II. IECA encourages the DOE to use the DPA to build critical natural gas pipeline infrastructure along the entire eastern seaboard of the U.S. The manufacturing sector needs natural gas pipeline capacity from Alabama to New York to bolster national security, boost american manufacturing investments, and job creation.**

Today, there is either none or very limited firm pipeline capacity available 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. It is our understanding that these pipeline expansions will not benefit Zone 5 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.

Section 106 of the DPA designates all forms of energy as strategic and critical materials.

Sec. 106. Designation of Energy as a Strategic and Critical Material [50 U.S.C. § 4516] For purposes of this Act [sections 4501 to 4568 of 50 U.S.C.], "energy" shall be designated as a "strategic and critical material" after the date of the enactment of this section [June 30, 1980]: Provided, That no provision of this Act [sections 4501 to 4568 of 50 U.S.C.] shall, by virtue of such designation grant any new direct or indirect authority to the President for the mandatory allocation or pricing of any fuel or feedstock (including, but not limited to, crude oil, residual fuel oil, any refined petroleum product, natural gas, or coal) or electricity or any other form of energy.

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 MCF, electric power 4,700,586 MCF, and residential 1,381,179 MCF.

Because there is no new pipeline capacity available in the near term, the only solution is to use the DPA to intervene at the state level to require electric utilities to temporarily delay the shutdown of coal-fired power 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.

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)<sup>1</sup> and directly impact manufacturing facilities.

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 manufacturing 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 encourage state public service commissions 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.

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<sup>1</sup> S&P Global, March 3, 2022

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.

Manufacturers will not expand in the region without a reliable supply of energy. Manufacturers will build new facilities in 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 building interstate pipelines that adds insight into the seriousness of the problem.<sup>2</sup> The following is included in the study:

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

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.<sup>5</sup>

**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

<sup>2</sup> “Exploration of the No Interstate Natural Gas Pipeline Builds Case,” [https://www.eia.gov/outlooks/aeo/IIF\\_pipeline/pdf/AEO2022\\_IIF\\_pipelines.pdf](https://www.eia.gov/outlooks/aeo/IIF_pipeline/pdf/AEO2022_IIF_pipelines.pdf)

<sup>3</sup> Pennsylvania, New Jersey, New York

<sup>4</sup> Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia

<sup>5</sup> “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](https://www.wsj.com/articles/u-s-europe-trade-booms-as-old-allies-draw-closer-11668914679?mod=Searchresults_pos1&page=1)

States, 2021	Natural Gas Consumption (Million cubic feet)			# Industrial Consumers	# Manufacturing Employees (Thousands)	State GDP (\$Millions)	State Manufacturing GDP (\$Millions)
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
<b>Total</b>	<b>1,340,881</b>	<b>4,700,586</b>	<b>1,381,179</b>	<b>30,461</b>	<b>3,408</b>	<b>6,380,141</b>	<b>638,343</b>

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](http://www.bls.gov); and GPD by State, U.S. Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov)

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.

We urge you to invoke use of the DPA to quickly expand natural gas 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: The Honorable Jennifer Granholm  
Senate Committee on Energy and Natural Resources  
House Committee on Energy and Commerce  
FERC Chairman and Commissioners