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

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December 13, 2022

To: The Honorable Kay Ivey, Governor, State of Alabama
The Honorable John Carney, Governor, State of Delaware
The Honorable Ron DeSantis, Governor, State of Florida
The Honorable Brian Kemp, Governor, State of Georgia
The Honorable Larry Hogan, Governor, State of Maryland
The Honorable Phil Murphy, Governor, State of New Jersey
The Honorable Kathy Hochul, Governor, State of New York
The Honorable Roy Cooper, Governor, State of North Carolina
The Honorable Tom Wolf, Governor, State of Pennsylvania
The Honorable Henry McMaster, Governor, State of South Carolina
The Honorable Glenn Youngkin, Governor, State of Virginia
The Honorable Jim Justice, Governor, State of West Virginia

Re: Manufacturing Companies Face Growing Natural Gas Scarcity Along the Entire Eastern Seaboard

Dear Governors:

On the East Coast every year manufacturing companies face growing natural gas scarcity due to the lack of interstate natural gas pipeline capacity. Today, there is either none or very limited firm natural gas pipeline capacity available for the manufacturing sector along the entire Eastern Seaboard. We urge you to ask President Biden to use the Defense Production Act (DPA) to build critical natural gas pipeline infrastructure from Alabama to New York to support manufacturing investments, jobs, and the reliability of natural gas and electricity.[1] Until new pipeline capacity becomes available, we urge you to temporaily delay the voluntary actions by electric utilities to shutdown coal-fired electricity generation to free up pipeline capacity for manufacturing. Without natural gas pipeline capacity, the U.S. has neither natural gas or electric reliability, which theatens national security, supply chains, investment, and job creation. Manufacturers will not expand in your state without a reliable supply of natural gas. Instead, manufacturers will build new facilities in states with pipeline capacity.

[1] IECA Urges Use of the Defense Production Act to Build Desperately Needed Natural Gas Pipeline Capacity Along the Entire Eastern Seaboard, IECA, November 30, 2022, https://www.ieca-us.com/wp-content/uploads/11.30.22_DOE-DPA-Letter.pdf

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.

As previously stated, there is either none or very limited firm natural gas pipeline capacity available for manufacturing, and the firm capacity that is available is being taken by entities that can pass those scarcity prices to customers at very high prices. This has put existing manufacturing operations at risk and has already impacted investments in expansions or new facilities.

The entire Eastern Seaboard is supplied by one major pipeline, the Transcontinental Gas Pipeline Corporation (Transco). Transco has plans to expand pipeline capacity, but the expansions are insufficient, and the earliest expansion will start operating in 2025. The expansions are limited and will not resolve capacity shortfalls for everyone. For example, the expansions will not benefit Zone 5 consumers in Virginia, North Carolina, or South Carolina that have severe capacity shortages during peak demand.

Not having available natural gas pipeline capacity has major economic and job implications for your states. The manufacturing sector is a significant contributor to the Eastern Seaboard (see figure 1). In 2021, combined manufacturing sector contributions include 3.4 million jobs, over 30 thousand facilities, and $638 billion in GDP.

Because there is no new pipeline capacity available in the near term, the only solution is to urge President Biden to use the DPA to build pipeline capacity and 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)[2] and further limit natural gas that is available to 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 which can cost millions of dollars per day. Last winter, for areas like Transco Zone 5, manufacturers paid over $20 per MMBtu for their natural gas. For perspective, the average 2021 Henry Hub natural gas price was $3.84 per MMBtu.[3]

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

[3] Natural Gas, U.S. Energy Information Agency, www.eia.gov

Pipelines that would have provided needed supply like the Atlantic Coast Pipeline have been stopped by activists. The Mountain Valley Pipeline (MVP) may provide limited relief because its primary role is to supply natural gas for LNG exports from the Gulf Coast. Activists have taken legal action to stop the MVP as well.

There is not a 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 costly undesirable alternatives. Equipment using natural gas cannot be switched to electricity.

In March 2022, the Energy Information Administration (EIA) released a study, "Exploration of the No Interstate Natural Gas Pipeline Builds Case," which is a study that explores the implications of not building interstate pipelines and adds insight into the seriousness of the problems.[4] 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[5] and South Atlantic[6] regions were the most sensitive to changes in pipeline capacity because of limitations to growth in production in the Appalachia Basin.

Your state is specifically identified as impacted by not building pipelines and as a result, will miss out on the reshoring of manufacturing jobs that require natural gas to operate. 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.[7]

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

[4] "Exploration of the No Interstate Natural Gas Pipeline Builds Case," https://www.eia.gov/outlooks/aeo/IIF_pipeline/pdf/AEO2022_IIF_pipelines.pdf
[5] Pennsylvania, New Jersey, New York
[6] Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia
[7] "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

States, 2021	Natural Gas Consumption (Million cubic feet)			# Industrial Consumers	# Manufacturing Employees (Thousands)	State GDP ($Millions)	State Manufacturing GDP ($Millions)
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

Finally, in 2021, we note that the U.S. imports approximately $2 trillion of manufactured goods.[8] 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.

Until new pipeline capacity becomes available, we urge you to take action to temporarily delay the voluntary actions by electric utilities to shutdown coal-fired generation to free up pipeline capacity for manufacturing and support expanding pipeline capacity. We look forward to working with you.

Sincerely,

Paul N. Cicio
Paul N. Cicio
President & CEO

cc: State Legislatures
Senate Committee on Energy and Natural Resources
House Committee on Energy and Commerce
The Honorable Jennifer Granholm, U.S. Department of Energy

[8] Tradestats Express - Year-To-Date (Ytd) U.S. Trade By Product, International Trade Administration, U.S. Department of Commerce, https://www.trade.gov/data-visualization/tradestats-express-year-date-ytd-us-trade-product