Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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February 23, 2012

The Honorable Ken Salazar
Secretary
U.S. Department of the Interior
1849 C Street, NW
Washington D.C. 20240

Dear Secretary Salazar:

On behalf of the Industrial Energy Consumers of America (IECA), we urge you to not introduce new hydraulic fracturing related regulation on federal lands. Western states with federal lands already have regulations in place that protect the environment. New federal regulation is not needed and will slow natural gas and oil production just when it is needed most – impacting manufacturing jobs and competitiveness. Furthermore, gasoline prices are projected to reach $5.00 per gallon this summer. Ample supplies of domestic oil will help to reduce the increases and prevent U.S. economic growth from stalling.

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $700 billion in annual sales and with more than 650,000 employees nationwide. IECA membership represents a diverse set of industries including: chemicals, plastics, cement, paper, food processing, brick, fertilizer, steel, glass, industrial gases, pharmaceutical, aluminum and brewing.

IECA member companies have good reason to be concerned. In the period from 2000 to 2005 natural gas prices doubled and tripled because demand exceeded supply. We remember that the Bureau of Land Management's (BLM) permitting system, heavy with increased bureaucracy and inadequate staffing, resulted in thousands of drilling permit backlogs. Wells did not get drilled, natural gas and oil did not get produced and the manufacturing sector and the economy as a whole suffered. There were plenty of natural gas reserves and the federal government was directly responsible for the failure to allow producers access to the natural gas in order to produce it for us, the consumer.

The manufacturing sector lost 3.0 million jobs from 2000 to 2005 and a great number of these jobs were directly related to the high price of natural gas. Thousands of chemical, plastics, fertilizer, steel, paper, glass and aluminum manufacturing plants shut down. We cannot and should not let this happen again.

In a recent interview you have commented that rules to be proposed by the Department of the Interior will focus on "one, disclosure, two, well bore integrity and three, what happens with respect to flowback water." Mr. Secretary, states, especially states with federal lands, have done an exceptional job in all three of these areas. It is also important to mention that federal law already covers water quality and wastewater disposal issues. At minimum, we urge you to consult with the States and their regulatory agencies with federal lands, before advancing new hydraulic fracturing-related regulations.

For example, Department of the Interior regulations similar to those that exist under the EPA's Underground Injection Control (UIC) Program would be inappropriate given that the UIC rules are designed to keep injected waste in the ground rather than to allow safe oil and gas extraction. The result would be unnecessary delays of gas and oil production. The draft rules would require filing a hydraulic fracturing fluid disclosure for each well no less than 30 days in advance of operations. Once the disclosure form is submitted, no changes can be made to the stimulation fluid makeup without resubmittal and the start of a new clock.

Clearly, these rules would slow down the production of the gas and oil that we need for economic growth. Federal revenues from such production would slow as would revenue to the States themselves. There are no winners – only losers.

As significant consumers of natural gas, we support disclosure of fluids used in the hydraulic fracturing process. We have reviewed the Groundwater Protection Council and Interstate Oil and Gas Compact Commission national online registry, FracFocus (http://fracfocus.org/), and believe it to be a superb example of what is needed and demanded by consumers. We recommend that the Department of Interior implement FracFocus as the vehicle for monitoring and protecting health and the environment.

Since 2000, the manufacturing sector has lost 5.5 million jobs. For the first time in two decades, we have the potential for a manufacturing renaissance because of low natural gas prices. Low natural gas prices provide a strategic advantage over our non-U.S. competitors and companies are beginning to invest in the U.S. We urge you to not impose regulations that are unnecessary – the consequences are too great.

Sincerely,

Paul N. Cicio
President

cc: The Honorable Jeff Bingaman
The Honorable Lisa Murkowski
The Honorable Doc Hastings
The Honorable Edward Markey
The Honorable Fred Upton
The Honorable Henry Waxman

Industrial Energy Consumers of America (IECA)

The Energy Voice of Industrial Energy Consumers

PRESS RELEASE

FOR IMMEDIATE RELEASE
February 23, 2012

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"IECA Urges Secretary Salazar to Not Regulate Hydraulic Fracturing on Federal Lands"

In a letter today to the Secretary of the Interior Ken Salazar, Industrial Energy Consumers of America (IECA) raised deep concern over their efforts to introduce new hydraulic fracturing related regulation on federal lands. Western states with federal lands already have regulations in place that protect the environment. New federal regulation is not needed and will slow natural gas and oil production just when it is needed most – impacting manufacturing jobs and competitiveness.

IECA member companies have good reason to be concerned. In the period from 2000 to 2005 natural gas prices doubled and tripled because demand exceeded supply. We remember that the Bureau of Land Management's (BLM) permitting system, heavy with increased bureaucracy and inadequate staffing, resulted in thousands of drilling permit backlogs. Wells did not get drilled, natural gas and oil did not get produced and the manufacturing sector and the economy as a whole suffered. There were plenty of natural gas reserves to be produced and the federal government was directly responsible for the failure to allow producers access to the natural gas in order to produce it for us, the consumer.

Since 2000, the manufacturing sector has lost 5.5 million jobs. For the first time in two decades, we have the potential for a manufacturing renaissance because of low natural gas prices. Low natural gas prices provide a strategic advantage over our non-U.S. competitors, and companies are beginning to invest in the U.S. We urge Secretary Salazar to not impose regulations that are unnecessary – the consequences are too great.

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $700 billion in annual sales and with more than 650,000 employees nationwide. It is an organization created to promote the interests of manufacturing companies through research, 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: plastics, cement, paper, food processing, brick, chemicals, fertilizer, insulation, steel, glass, industrial gases, pharmaceutical, aluminum and brewing.

Un-necessary Hydraulic Fracturing Regulations Jeopardizes Manufacturing Jobs and Competitiveness

April, 2012

Paul N. Cicio
President
Industrial Energy Consumers of America

Industrial Energy Consumers of America

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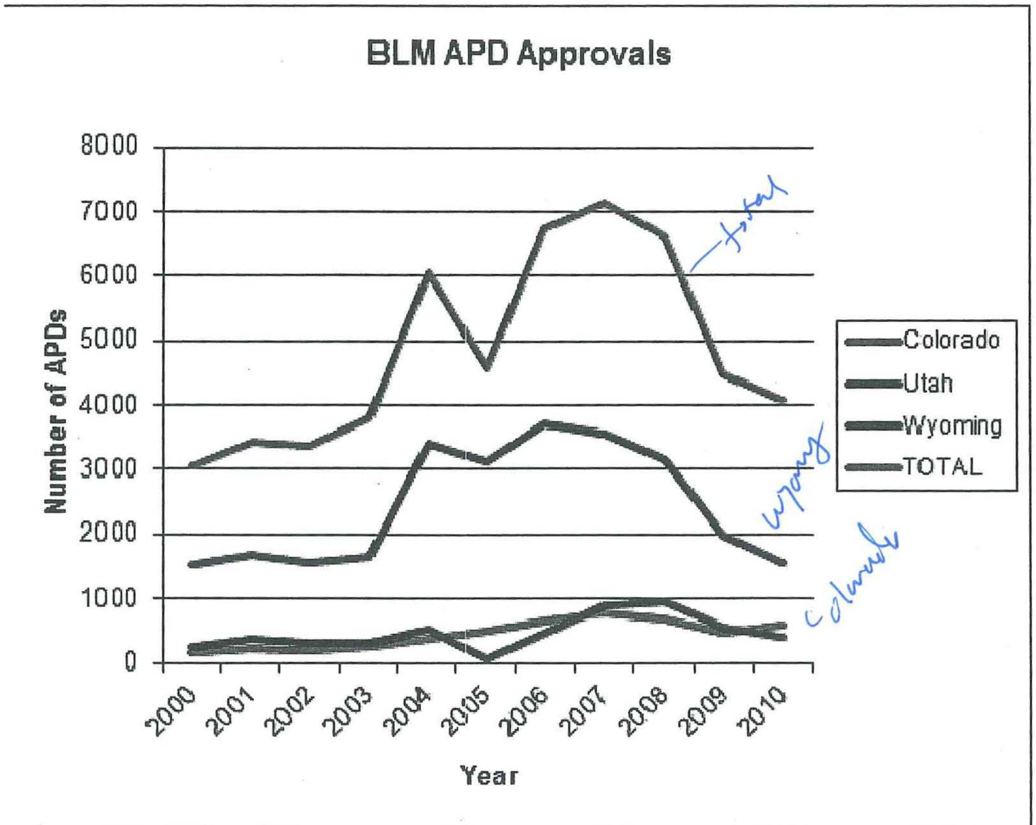
- It is an organization created to promote the interests of manufacturing companies for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets.
- IECA membership represents a diverse set of industries including: steel, aluminum, commodity and specialty chemicals, fertilizer, paper, food processing, glass, plastics, pharmaceutical.

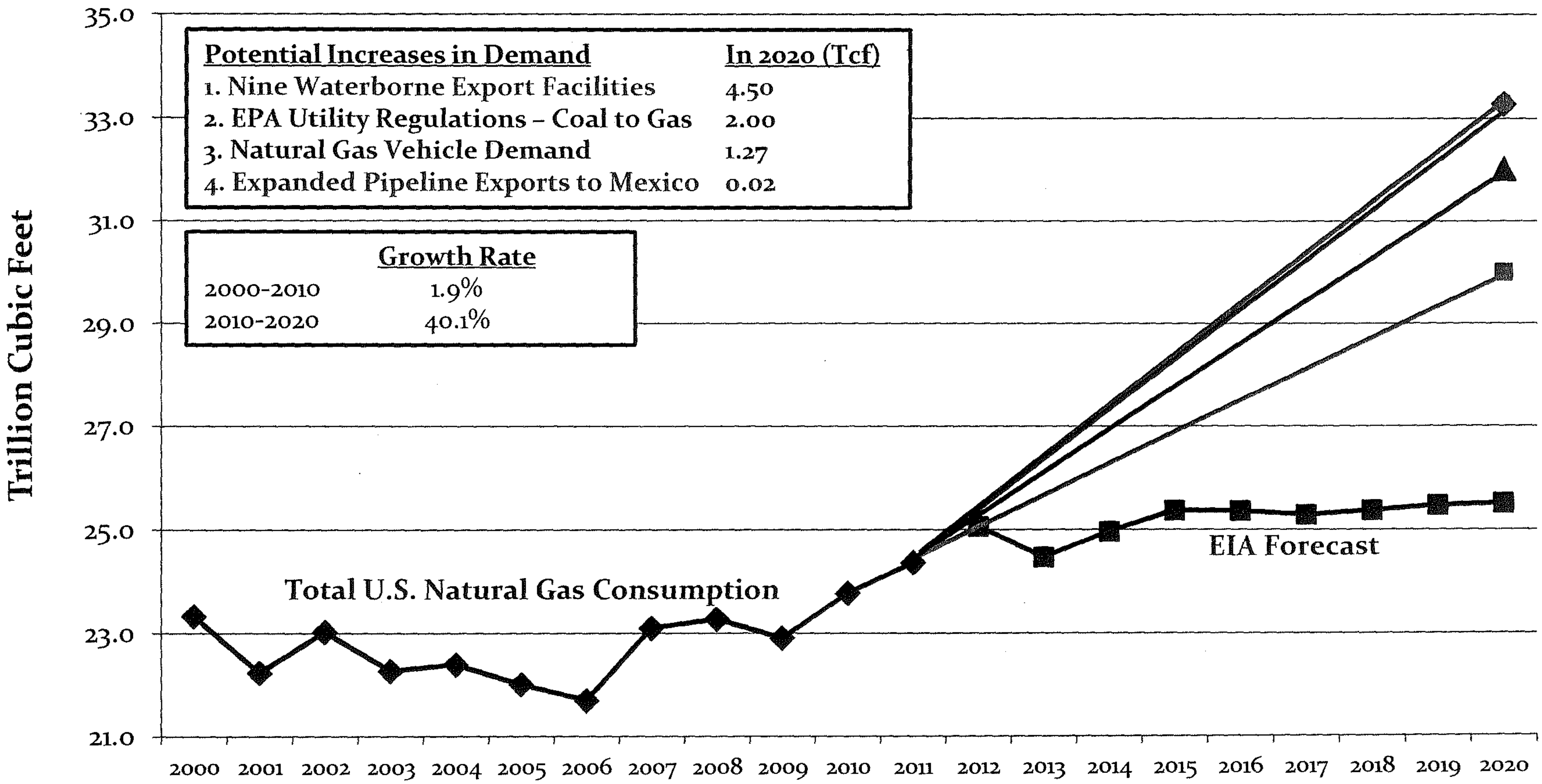
Hydraulic Fracturing Disclosure: BLM Rule Making

- Un-necessary: regulating because you "can" not because it is needed
- Costly
- Will slow permitting, drilling and production
- Creates regulatory uncertainty
- Redundant reporting



BLM APD Approvals
8000
7000
6000
5000
4000
3000
2000
1000
0
Number of APDs
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Year
Colorado
Utah
Wyoming
TOTAL
total
wyoming
colorado

Potential Natural Gas Consumption



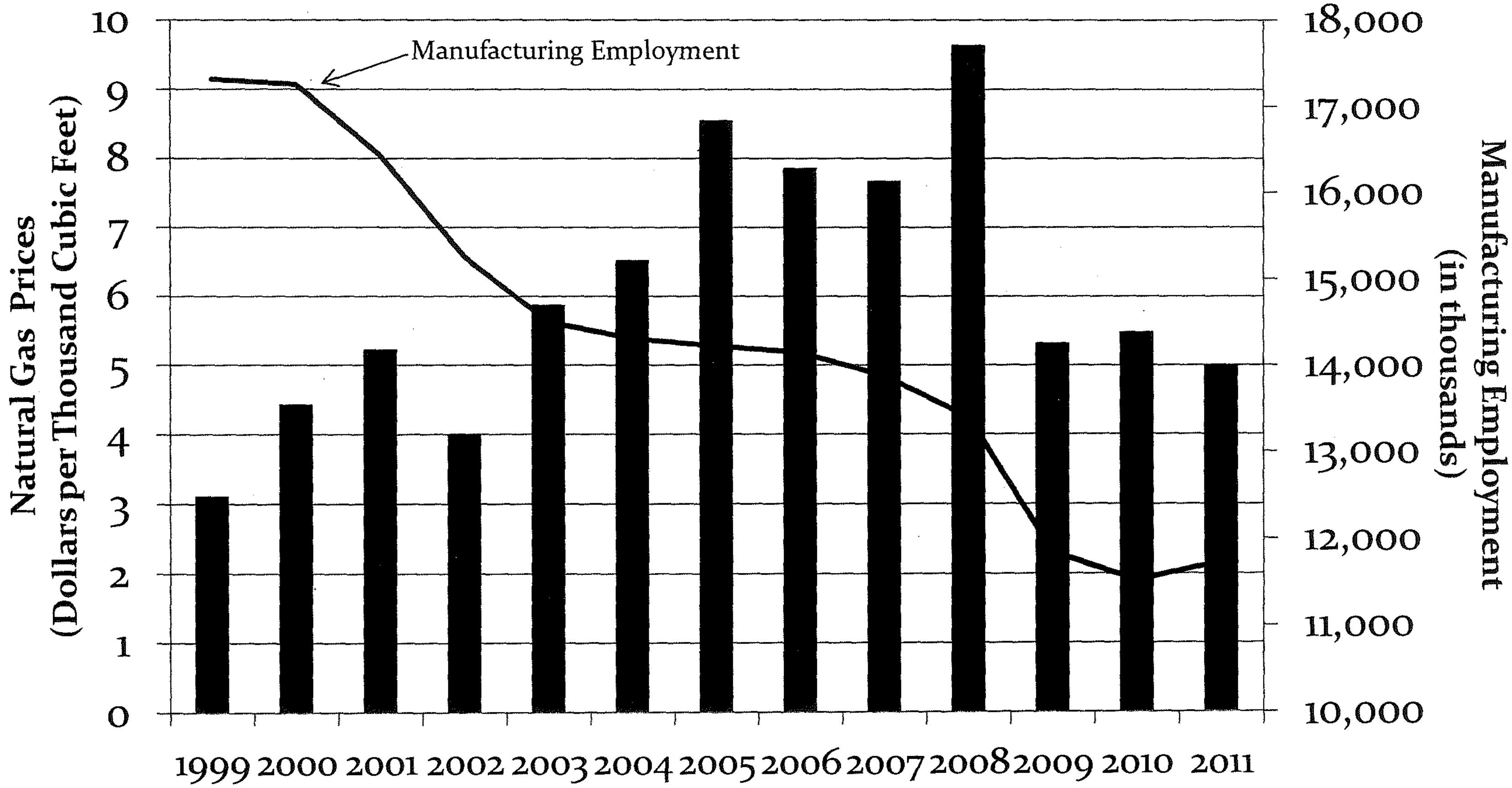
Sources:
1. Waterborne Exports: DOE
2. EPA Utility Regulation – Coal to Gas: NERA, 10/12
3. Natural Gas Vehicle Coalition, 3/13/12
4. Expanded Pipeline Exports to Mexico: Reuters, 2/27/12

Industrial Energy Consumers of America (IECA)

There is a "direct" relationship between US energy prices and energy intensive manufacturing competitiveness and jobs.

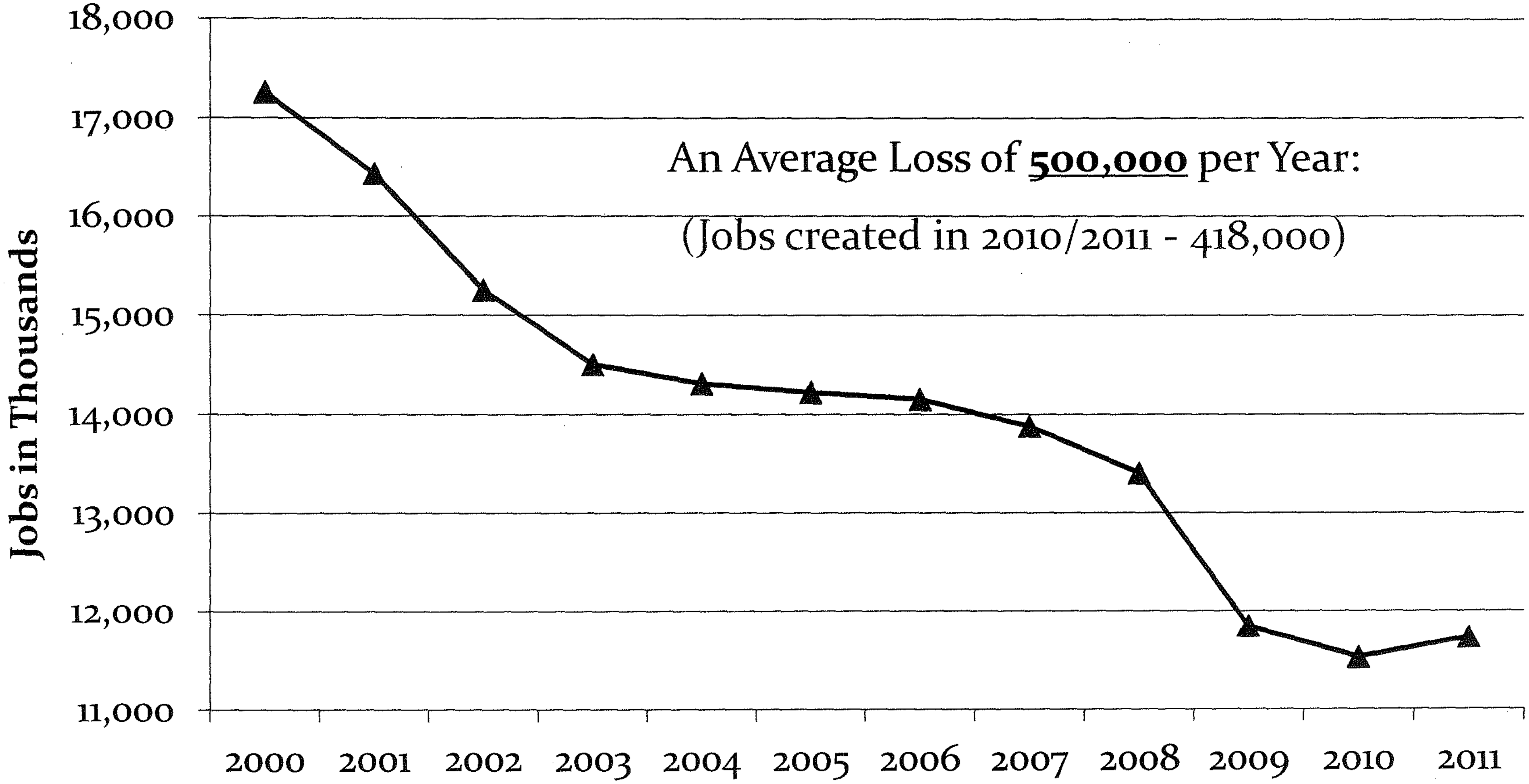
Let's Not Repeat History: Natural Gas Prices Increased 210% from 1999 to 2008 (23%/yr.)

Driven by production constraints!



Source: EIA , Bureau of Labor Statistics

U.S. Total: 5.5 Million Manufacturing Jobs (32%) Lost // 54,905 Facilities Lost (Since 2001)



Source: Bureau of Labor Statistics

Loss of Manufacturing Competitiveness Resulted in About 8.6 Million Job Losses

Manufacturing job losses

5.5 Million

+

Non-Mfg. Job losses

3.1 Million

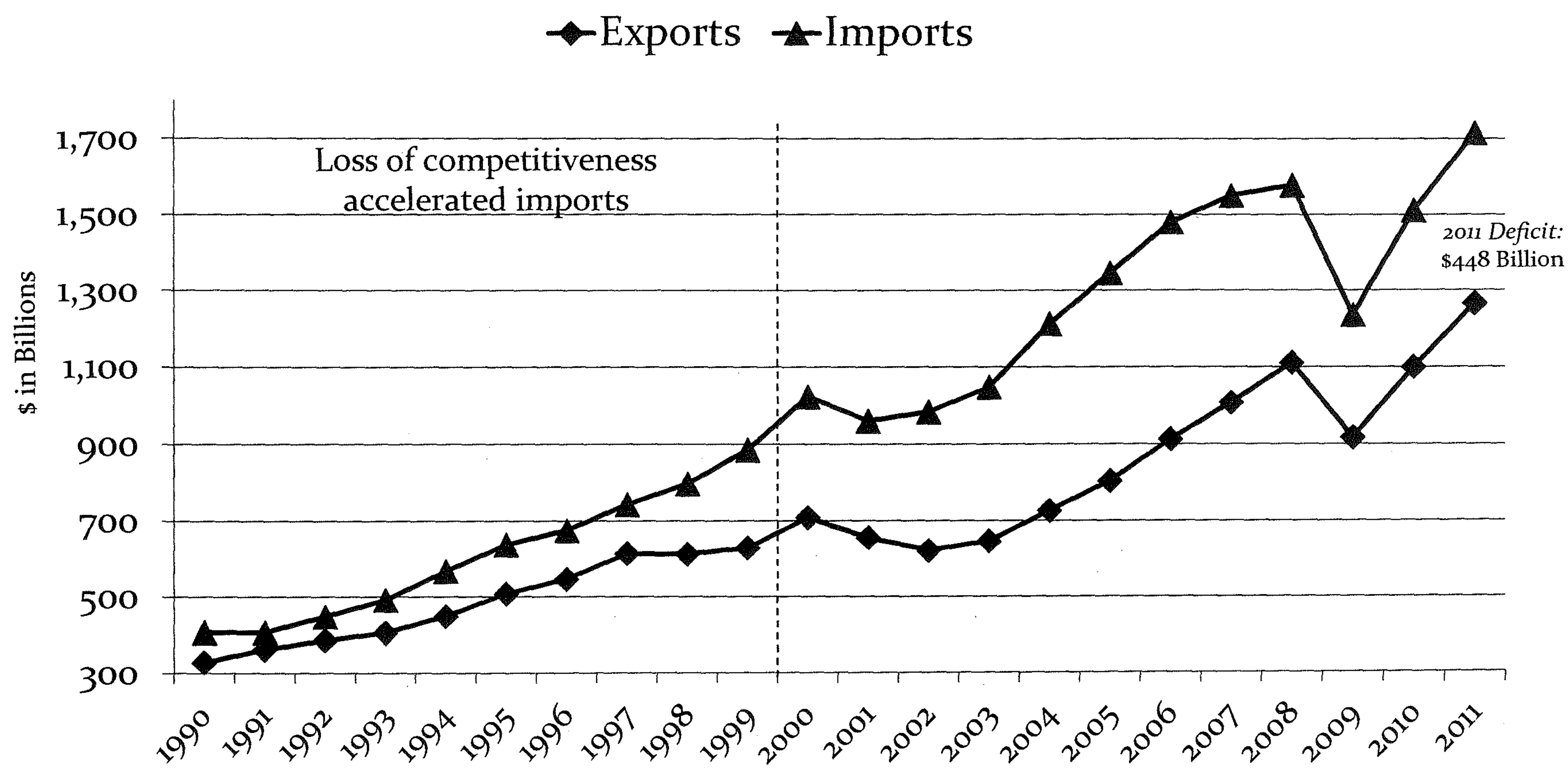
=

Total

8.6 Million

Source: NAM, based on 2009 data

Loss of Competitiveness Accelerated Imports by 51% (2000-2011)

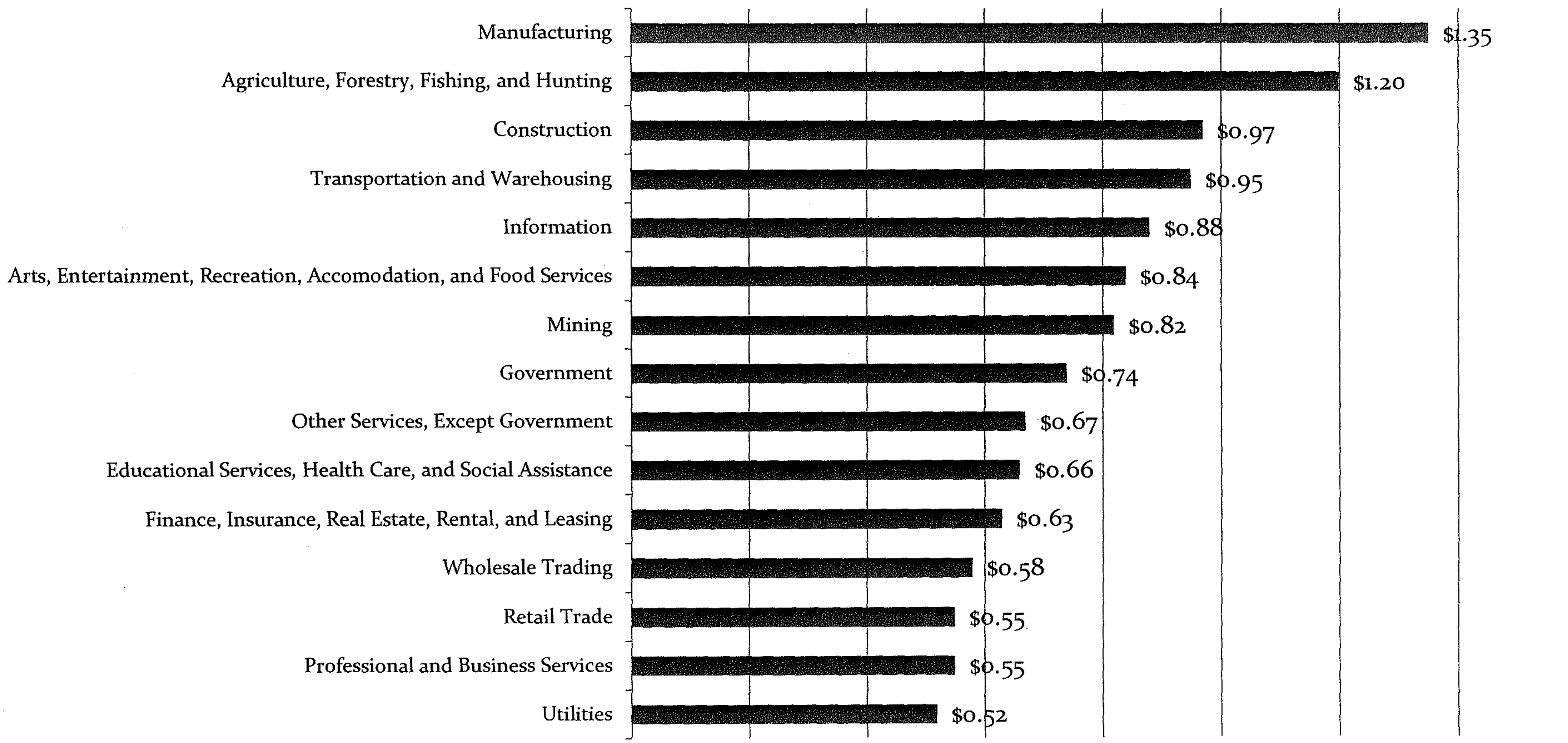


Source: Department of Commerce

Industrial Energy Consumers of America (IECA)

Manufacturing's Multiplier Effect

Indirect Economic Activity Generated by $1 of Sector GDP



Source: Bureau of Economic Analysis, 2010 Annual Input-Output Tables

Industrial Energy Consumers of America (IECA)

Industrial Energy Demand is Significant

- 30 % of U.S. natural gas
- 30 % of U.S. electricity

Natural Gas Demand

(U.S. Total, 2010)

Fuel	Electric Utilities	Industrial	Residential	Commercial
Natural Gas	34%	30%	22%	14%

Source: EIA

Operating in the U.S. is 20% more expensive as compared to our major trading partners

- Japan
- Germany
- UK
- Canada
- Korea
- Mexico
- China
- Taiwan

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

Energy Price Sensitive Products are Essential for Economic Growth

Building Block Industries	Convert to	Commercial & Consumer Products
Chemicals		Food Production
Plastics		Defense industries
Fertilizer		Automobiles
Glass / ceramics		Consumer goods
Steel		Construction
Aluminum		Medical Supplies
Pulp and Paper		Energy Production
Cement		Appliances
Food Processing		Household products
		Telecommunication

Examples of Energy Intensity

(Small Energy Price Increases Have Large Competitive Impacts)

- Aluminum: 30-35%
- Recycled steel: 25%
- Integrated steel: 85% energy and raw materials
- Plastics: 80% (feedstock)
- Chemicals: varies greatly 15-20% (fuel only)
- Paper: 10-20%
- Glass: 20-25%
- Fertilizer: 80% (feedstock)
- Food processing: 30%
- Cement: 25-35%
- Refining: 15-20% (fuel only)

Energy Intensive Products are Essential to Economic Growth

- The aerospace/defense industry uses steel, aluminum, plastics and chemicals.
- The air transport industry uses steel, aluminum, plastics and chemicals.
- The auto and truck industries use steel, aluminum, plastics, chemicals.
- The beverage industry uses aluminum, steel, paper, glass and plastic.
- The biotechnology industry uses chemicals.
- The commercial and home building construction industry uses brick, steel, aluminum, wood, cement and glass.
- The oil and gas industry uses steel, chemicals, cement.
- The chemical industry uses chemicals, steel, cement and glass.
- The computer industry uses plastics, chemicals, and glass.
- The electrical equipment industry uses steel.
- The electric and gas utility sector uses steel and cement.
- The food industry uses fertilizer, chemicals, plastics and paper.

Energy Intensive Products are Essential to Economic Growth

- The heavy construction industry uses steel and rubber.
- The home furnishing industry uses wood, glass, chemicals.
- The home appliance industry uses steel, aluminum, glass and wood.
- The household products industry uses chemicals, plastic; paper, glass.
- The machinery industry uses steel, chemicals and plastics.
- The maritime industry uses steel.
- The packaging industry uses plastics, paper, aluminum and steel.
- The paper / forest products industry uses steel and chemicals.
- The refining industry uses steel, chemicals and cement.
- The pharmaceutical industry uses chemicals, glass and steel.
- Railroads use steel.
- The toiletries/cosmetics industry uses chemicals, plastics, paper, and glass.