



NATIONAL  
OCEAN  
INDUSTRIES  
ASSOCIATION

# ENERGY CHALLENGES FOR CONNECTICUT AND THE NATION

**NOIA'S MISSION IS TO SECURE RELIABLE ACCESS TO THE NATION'S VALUABLE OFFSHORE ENERGY RESOURCES IN ORDER THAT THEY MAY BE DEVELOPED, PRODUCED AND SUPPLIED IN AN ENVIRONMENTALLY RESPONSIBLE MANNER.**

Today, energy prices are on the rise across the nation. This affects individual citizens, industrial consumers, and the agricultural industry. But why is this so?

It all comes back to supply and demand. As the economy has grown, the demand for energy has grown every year. At the same time, however, policymakers have refused to make any changes to increase available supplies of energy. For example, over 80% of the nation's oil and natural gas resources on the Outer Continental Shelf is completely off-limits to exploration and production, despite a decades-long record of safe offshore production in the Central and Western Gulf of Mexico.

What can be done? Energy consuming states must make themselves heard and push for changes to policies like this that limit energy supply. This is key to long-term strategies to control prices and maintain economic growth and employment at home.



## Less than 19% of OCS is Open to Development



**ENERGY PRICES: A NATIONAL PERSPECTIVE**

- In the last 25 years, our energy consumption has grown by 30 percent, while supply only increased at half that rate. In just the past decade, as our economy grew, energy consumption increased by more than 12 percent. But our domestic production increased by less than one-half of 1 percent.
- Between now and 2030 – just less than 25 years from now – we will need 55 percent more electricity than we generate today and consumption of all sources of energy are expected to increase:
  - o *Petroleum by 41 percent*
  - o *Natural gas by 33 percent*
  - o *Coal by 41 percent*
  - o *Renewable energy by 39 percent*
- The Energy Information Administration predicted on Jan. 11 that the average U.S. home heating bill in 2006 will increase by \$257, or 35 percent, for natural-gas heat; \$275, or 23 percent, for oil heat; and \$184, or 17 percent, for propane heat.
- The price of U.S. natural gas has hit peaks recently of about \$15/million btu's, the rough equivalent of paying \$7 a gallon for gasoline.
  - o *This is more than double what they pay in China, and 50 percent higher than prices in the United Kingdom. The U.S. price is 20 times what Saudi Arabians pay.*
- High energy prices, particularly for natural gas, have cost the economy 2.8 million jobs since 2000.
- More than 100,000 lost jobs in the chemical industry, and the closure of 70 chemical facilities in 2004 alone, have resulted from high prices of natural gas.
- During the 2003 and 2004 growing seasons, farmers paid more than \$6 billion in added energy-related expenses, a 41% increase over 2004, according to USDA's Economic Research Service.

## CONNECTICUT ENERGY CONSUMPTION AND OUTLOOK:



- Over the past 30 years, the price of electricity has nearly quadrupled in Connecticut, as have overall expenditures for energy. Connecticut energy consumers now spend over \$8 billion annually, according to the Connecticut Energy Advisory Board, and demand for electricity is expected to further rise by 19 percent by 2014.
- Approximately 36.6 percent (2,477 MW) of Connecticut's current electric generation is produced from 25 oil-fired generating facilities. By 2013, approximately 2,007 MW of the state's current electric generation will be from facilities over 40 years old.
- Connecticut currently has 14 natural gas-fired electric generating units contributing approximately 20.2 percent (1,368 MW) of the state's current capacity.
- It is projected that Connecticut's fuel use for generating electricity will shift from an oil dominance – currently at 33.9 percent of total Connecticut's electric generation – to increased reliance on natural gas for 51.2 percent of power generation capacity by 2013.

## INCREASING ENERGY PRICES HURT MANUFACTURING INDUSTRIES, IMPERILING CONNECTICUT JOBS:

- In December 2005, Connecticut was home to more than 194,000 manufacturing jobs, paying employees an average of \$61,070/year, 18 percent higher than the average wage and salary for the state. Unfortunately, rising energy costs have contributed to the loss of more than 41,600 of these high-wage manufacturing jobs since 2000.
- Chemicals, plastics and rubber manufacturing – which depend on natural gas as a critical input – accounted for more than \$768 million in Connecticut exports in 2005 and support more than 17,150 jobs directly. These jobs are also in jeopardy due to the high price of natural gas.

## INCREASING ENERGY PRICES SQUEEZE SMALL BUSINESSES AND INDIVIDUAL CONSUMERS:

- In a November 2005 survey by the Connecticut chapter of the National Federation of Independent Business, 48 percent of Connecticut's small-business owners said of their total costs, energy was among the most rapidly rising cost.
- More than half of Connecticut residents' energy bills go to home heating, bills that are only getting bigger. The average energy bill for Connecticut homes heated with natural gas will increase by about \$320 in 2006. Average energy bills for homes heated with oil will go up about \$250. Propane-heated home





owners will see their bills rise by about \$160, while electric heating costs will rise by about \$20.

- In 2005, an estimated 66,300 households throughout Connecticut received more than \$46.8 million in Low Income Home Energy Assistance (LIHEAP) funding to help pay their heating and cooling bills.
- Connecticut's gasoline prices are currently 30 percent higher than last year, costing Connecticut households \$2,700 annually.

## **INCREASING ENERGY PRICES SQUEEZE FARMERS AND AGRICULTURAL INDUSTRIES:**

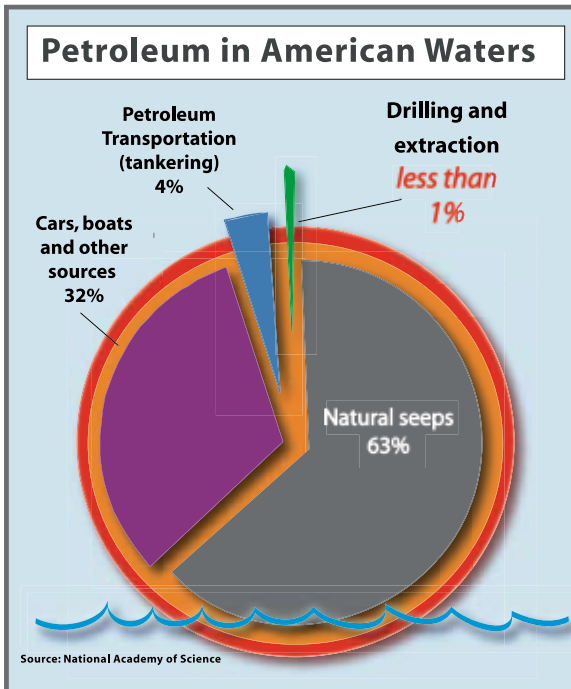
- Connecticut is home to more than 4,191 farms, covering more than 357,000 acres of land.
- Today, 51 percent of Connecticut farmland is in dairy or dairy support. In 2003, there were 191 dairy farms in Connecticut. Throughout the Northeast and the nation, many dairy farmers have been impacted by high energy costs with increases in feed stock and transportation costs.
- In 2005, farmers experienced a 28 percent hike in fuel costs.
- Greenhouse and nursery product operations account for 12 percent of Connecticut farmland, making them the second largest farmland user after dairy. Many greenhouse operators are paying more for natural gas, heating oil and electricity than in past years. The high energy prices have decreased many greenhouse operators' profit margin.
- In 2006, Connecticut farmers face fertilizer prices of \$500 or more per ton, more than double the 2002 price.



## A PLAN OF ACTION:

What can be done to increase energy supplies?

- Call on Congress and the Administration to cultivate a plentiful, diverse and affordable energy supply for America.
- Pursue renewable technologies such as offshore wind and tidal power and the development of offshore methane hydrates.
- Promote energy conservation and greater efficiency.
- Increase refining capacity and import facilities.
- Provide access to the Outer Continental Shelf (OCS) for exploration and development of the nation’s valuable offshore energy resources in an environmentally responsible manner. Over 80 percent of all federally controlled coastal waters are currently off-limits to energy exploration and production, yet the OCS is conservatively estimated to hold over 419 trillion cubic feet of technically recoverable natural gas resources and 86 billion barrels of oil. This is enough:
  - natural gas to heat 100 million homes for 60 years.
  - oil to drive 85 million cars for 35 years.
  - oil to replace current Persian Gulf imports for 59 years.



**Offshore drilling is safe: Less than 1% of oil found in the ocean comes from offshore production, significantly less than results from natural geologic seeps and run-off from land-based sources**