



NATIONAL  
OCEAN  
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ASSOCIATION

# ENERGY CHALLENGES FOR DELAWARE 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.

## DELAWARE



- Over the last decade, Delaware's energy needs have grown due to rapid population growth, particularly in the southern portion of the state.
- Today, the largest consumer of electricity is the industrial sector at 39 percent, in part because Delaware is home to several energy-intensive industries including a major petroleum refinery, chemical plants, and large manufacturers. The transportation sector is the second largest at 25 percent. The commercial and residential sectors account for the remainder, 36 percent, of the state's energy consumption.
- Delawareans currently consume approximately 280 trillion BTUs of energy in different forms every year – this equals approximately 7.4 gallons of oil per person per day. Eighty-four percent of this energy is delivered directly to Delaware in the form of fossil fuels (coal, petroleum products, and natural gas) and is used to fuel homes, businesses, industry, and transportation, as well as generate a portion of the state's electricity. Another 15 percent is delivered in the form of electricity generated mainly by out-of-state fossil and nuclear-fueled power plants.
- Natural gas accounts for the largest share of the home heating market at nearly 37 percent, followed by fuel oil and electricity with similar shares totaling nearly 26 percent share each.
- According to the Governor's Energy Task Force, Delaware can expect the following increases by 2010: An 18.5 percent growth in electricity consumption; an 18 percent increase in peak electricity demand; an 8.8 percent growth in natural gas consumption; a 6.1 percent increase in total fuel consumption for residential, commercial, and industrial use; and a 23 percent increase in gasoline and motor fuel consumption.
- Approximately 46 percent of all primary energy input in Delaware's industrial sector is petroleum for either feedstock or fuel for the Motiva refinery.
- In January 2006, Delaware was home to more than 33,300 manufacturing jobs, paying employees an average of \$50,550/year, 18% higher than the average wage and salary for the state.
- Unfortunately, rising energy costs have contributed to the loss of more than 8,200 manufacturing jobs since 2000.
- Today, more than 5,100 jobs are directly created by the chemical industry in Delaware, but these jobs are in jeopardy due to the high price of natural gas.
- A May 2006 report released by DuPont said they plan to hike product prices given the continued impact of rising oil prices of commodity chemicals that serve as raw materials for many DuPont products.
- Chemicals, plastics and rubber manufacturing – which depend on natural gas as a critical input – accounted for more than \$1.045 billion in Delaware exports in 2005.





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

- In 2006, all Delmarva Power customers will be hit with significant increases of 47 percent to 118 percent in energy costs.
- The lifting of the rate caps could lead to rate increases of greater than 50 percent for residential customers; increase electric rates for small and mid-sized commercial customers by up to 67 percent; and increase electric rates for large commercial and industrial customers by as much as 118 percent.
- According to the Cabinet Committee on Energy's report released in March 2006, the smallest businesses in distressed areas are expected to face the greatest hardships since energy costs will represent a significant, but difficult to reduce cost.
- The average annual household energy bill in Delaware in 2002 was \$1,854. This included electricity, hot water, space heating and cooling.
- Almost half of Delaware residents' energy bills go to heat their homes.
- The average energy bill Delaware homes heated with natural gas will increase by about \$250 in 2006. Average energy bills for homes heated with oil will go up about \$230. Propane-heated homes will see their bills rise by about \$180, while electric heating costs will rise by about \$65.
- In 2005, about 12,900 households throughout Delaware had received more than \$6.2 million in Low Income Home Energy Assistance (LIHEAP) funding to help pay their heating and cooling bills.
- Delaware gasoline prices are currently 35% higher than last year, costing Delaware households \$3,200 annually.



## INCREASING ENERGY PRICES SQUEEZE FARMERS AND AGRICULTURAL INDUSTRIES:

Delaware is home to more than 2,390 farms, covering more than 540,080 acres of land. Many of Delaware's major economic sectors are intensive energy users. Agricultural production uses energy directly from lighting farm buildings, drying grain, to irrigating fields and also indirectly through many of the purchased inputs such as fertilizer and agricultural chemicals. With this increase, as well as other increases in energy costs, it becomes more difficult for our farmers to remain profitable.

According to the Cabinet Committee on Energy's report released in March 2006, soaring electricity rates will have a serious impact on Delaware agriculture, hitting the poultry industry the hardest.

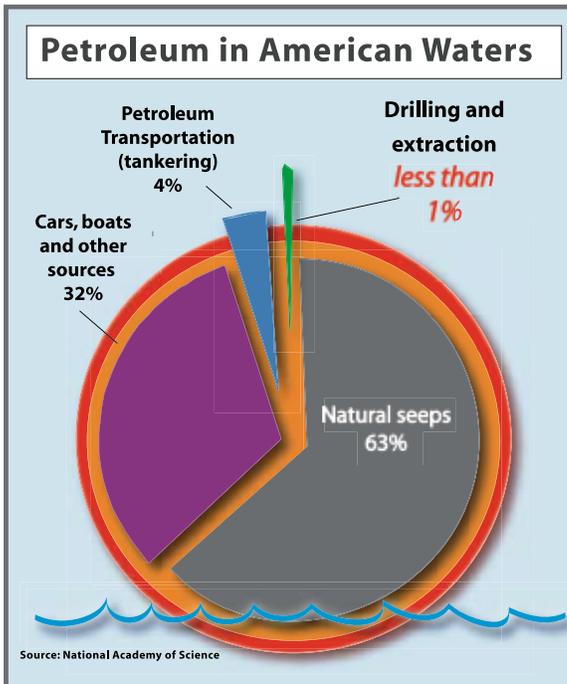
- Poultry producers, regardless of size, will find it difficult to absorb the rate increase with the current income received from the integrators. Approximately 71 percent of Delaware's cash farm income was from broiler chickens in 2003. Delaware ranked 7th among the states in the pounds of broilers produced in 2005 with 1,835,000,000 pounds, up 23% from 2004.
- In 2005, farmers experienced a 28% hike in fuel costs.
- In 2006, Delaware 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**