



NATIONAL
OCEAN
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ASSOCIATION

ENERGY CHALLENGES FOR NEW YORK 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.



NEW YORK

- New Yorkers spent nearly \$46.6 billion for energy in 2004, ranking third behind California and Texas in total state energy expenditures and up 6% from 2003, according to the New York State Energy Research and Development Authority.
- New York consumers pay more per unit than the national average for most forms of energy.
- New York is the fourth largest energy consuming state in the nation, with consumption levels exceeding national averages in 4 sectors of energy usage:
 - Residential accounts for 28% of total energy demand in New York, compared to 18% nationally.
 - Commercial accounts for 23% of total energy demand in New York, compared to 13% nationally.
 - Industrial accounts for 8% of total energy demand in New York, compared to 25% nationally.
 - Transportation accounts for 40% of total energy demand in New York, compared to 44% nationally.
- Petroleum consumption in New York is rising (up by 2% since 2003 alone), with residential accounting for 12%, commercial 9%, industrial 2%, transportation 66%, and electricity generation 11%.
- New Yorkers' consumption of natural gas is divided among the residential (41%), commercial (25%), industrial (7%), transportation (1%), and electricity generation (26%) sectors.
- In 2004, New York's reliance on foreign oil as a proportion of total petroleum was 88% while the United States' overall reliance on foreign oil was 64%.



INCREASING ENERGY PRICES HURT MANUFACTURING INDUSTRIES, IMPERILING NEW YORK JOBS:



- In November 2005, New York was home to more than 574,500 manufacturing jobs, paying employees an average of \$51,320/year, 31% higher than the average wage and salary for the state.
- Unfortunately, rising energy costs have contributed to the loss of more than 176,300 manufacturing jobs since 2000.
- Chemicals, plastics and rubber manufacturing – which depend on natural gas as a critical input – accounted for more than \$5.4 billion in New York exports in 2005.

- Today, more than 56,720 jobs are directly created by the chemical industry in New York, but these jobs are in jeopardy due to the high price of natural gas.



INCREASING ENERGY PRICES SQUEEZE STATE GOVERNMENT, SMALL BUSINESSES, AND INDIVIDUAL CONSUMERS:

- In 2004, New Yorkers spent \$14.8 billion for household energy, up 4% from the previous year. The total energy bill for commercial customers was \$12.8 billion, while industrial consumers paid \$2.3 billion in 2004.
- Almost half of New York residents' energy bills go to home heating, bills that are only getting bigger. The average energy bill for New York homes heated with natural gas will increase by about \$300 in 2006. Average energy bills for homes heated with oil will go up about \$265. Propane-heated home owners will see their bills rise by about \$150, while electric heating costs will rise by about \$25.
- In 2005, an estimated 800,000 households throughout New York received more than \$278 million in Low Income Home Energy Assistance (LIHEAP) funding to help pay their heating and cooling bills. The number of regular benefits granted to homeowners or renters who filed applications for Home Energy Assistance has increased by 240 percent over the prior year.
- According to the New York Public Service Commission, as of November 2005, there were 600,000 New York families over 60 days late in their energy bills, and over 11,000 whose accounts had been terminated.
- New York gasoline prices are currently 20% higher than last year, costing New York households \$2,200 annually.
- New York's small-business owners expressed a negative outlook for New York's business climate in a November 2005 survey by the New York chapter of the National Federation of Independent Business, attributing their pessimism to rapidly rising energy costs.
- Almost 10% of the entire load used in New York City is by the City government.



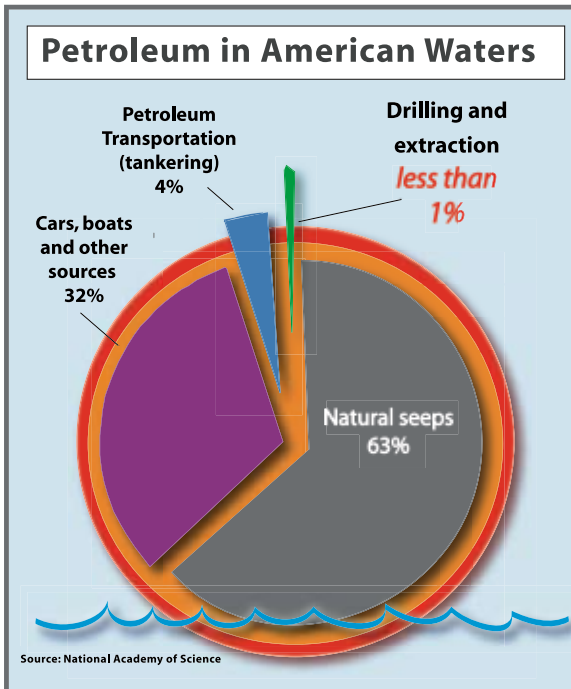
INCREASING ENERGY PRICES SQUEEZE FARMERS AND AGRICULTURAL INDUSTRIES:

- New York is home to more than 32,600 farms, covering more than 7.6 million acres of land.
- Many of New York's major economic sectors are intensive energy users. Agricultural production uses energy directly in grain production, drying, marketing, and also indirectly through many of the purchased inputs such as fertilizer and agricultural chemicals.
- In a 2005 analysis, the average New York farmer is paying more than \$2,500 over 2002 costs. This 35 percent increase since 2002 to operate their farms is hurting the farming community. The report showed how much more New York farmers in each county are paying for gas over a 27-month period, for instance: farmers in the Capital Region have paid an additional \$8.3 million for fuel over 2002 prices; Hudson Valley farmers \$10.1 million, Central New York \$8.2 million, Rochester Finger Lakes \$10.1 million, North Country \$11.8 million; Southern tier \$12.2 million; and Western New York \$16.5 million.
- In 2005, farmers experienced a 28% hike in fuel costs.
- New York remains third in the nation for both milk and cheese production. 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 addition, New York greenhouse operators are paying about 50 percent more for natural gas and heating oil and 20 percent more for electricity over the last two years. The high energy prices have decreased many greenhouse operators' profit margin.
- In 2006, New York 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