



NATIONAL
OCEAN
INDUSTRIES
ASSOCIATION

ENERGY CHALLENGES FOR PENNSYLVANIA 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 – 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.



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

- In a November 2005 survey by the Pennsylvania chapter of the National Federation of Independent Business, 52 percent of Pennsylvania's small businesses said of their total costs, energy was either their most rapidly rising or second most rapidly rising.
- Next year, Bethlehem Area School District property owners will pay 5.56 percent more in school property tax, with a portion of the tax going to help cover a nearly 41 percent jump in energy costs.
- More than half of Pennsylvania residents' energy bills go to heat their homes.
 - As of March 25, 2006, about 440,000 individuals and families throughout Pennsylvania had received more than \$111 million in Low Income Home Energy Assistance (LIHEAP) funding to help pay their heating bills. In 2006, Pennsylvania received more than \$190 million in LIHEAP funding.
 - The average energy bill for Pennsylvania homes heated with natural gas will increase by about \$275 in 2006. Average energy bills for homes heated with oil will go up about \$275. Propane-heated home owners will see their bills rise by about \$140, while electric heating costs will rise by about \$15.
- Pennsylvania gasoline prices are currently 35% higher than last year, costing Pennsylvania households \$2,450 annually. Over the past three years, gas prices in Pennsylvania have jumped about 100 percent, from \$1.51 in 2003 to close to \$3 per gallon.
 - According to AAA Mid-Atlantic, the rising energy costs are having an impact on the hospitality industry, thus a family of four will pay \$255.91 per day for food and lodging, up 6.5 % from last year.
- The U.S. Department of Labor reports that the cost of gasoline and household fuels in the Pittsburgh area has jumped more than 21 % since the second half of 2004.

INCREASING ENERGY PRICES SQUEEZE FARMERS AND AGRICULTURAL INDUSTRIES:

- Pennsylvania is home to more than 58,400 farms, covering more than 7.7 million acres of land.
- According to Pennsylvania State University, the rising costs of energy will in turn raise production costs, thus creating cash flow challenges, since farmers incur most of their production costs well before they have products to sell. But, before output prices rise, farm incomes will be lower.
- In 2005, farmers experienced a 28% hike in fuel costs.
- Today, 40% of U.S. crop production depends on using commercial fertilizers. Without nitrogen fertilizers, U.S. corn yields would drop an estimated 40%.
- In 2006, Pennsylvania farmers face fertilizer prices of \$500 or more per ton, more than double the 2002 price.

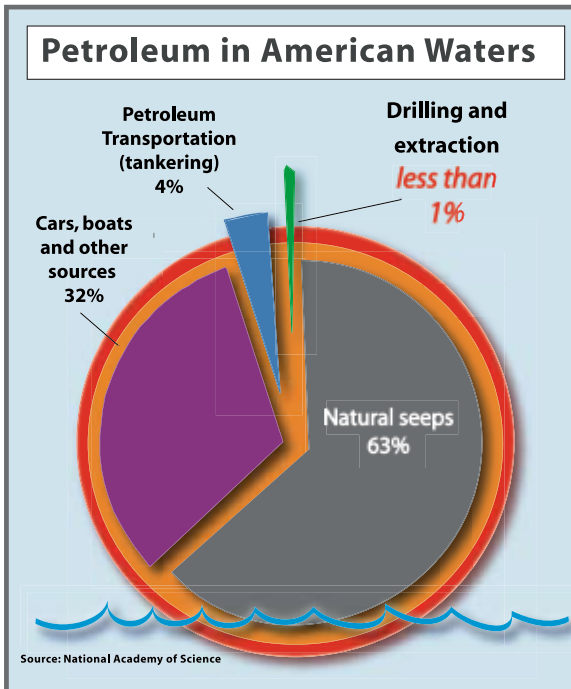
Pennsylvania:

- Today, Pennsylvania companies are sending approximately \$30 billion a year outside our state – and in many cases outside our nation – to buy energy.
- In December 2005, Pennsylvania was home to more than 677,200 manufacturing jobs, paying employees an average of \$45,950/year, 20% higher than the average wage and salary for the state, representing 16% of the gross state product.
- Unfortunately, rising energy costs have contributed to the loss of more than 185,100 manufacturing jobs since 2000.
- Today, more than 53,510 jobs are directly created by the chemical industry in Pennsylvania, but these jobs are in jeopardy due to the high price of natural gas.
- Chemicals, plastics and rubber manufacturing – which depend on natural gas as a critical input – accounted for more than \$4.94 billion in Pennsylvania exports in 2005.

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