



NATIONAL
OCEAN
INDUSTRIES
ASSOCIATION

ENERGY CHALLENGES FOR WASHINGTON, DC 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.



DISTRICT OF COLUMBIA ENERGY CONSUMPTION:

- The District of Columbia spends over \$1.7 billion each year on energy, ranking 50th nationally in total energy consumption. That amount included more than \$55 million spent by the government and more than \$295 million on gasoline. As much as 85 percent of the money spent on energy leaves the District's economy.
- In 2004, the District's energy consumption by sector was: 63.7% commercial, 20.1 residential, 14% transportation, 22% residential and 2.2% industrial.
- Between 1980 and 2001, the District of Columbia's electricity consumption increased by 2.3 billion kilowatt-hours, averaging a 1.4% increase year-over-year.
- Increasing demand for electricity is pressuring utilities to invest in new generation and transmission infrastructure, driving up energy prices for consumers.
- The price of electricity to commercial consumers in the District of Columbia is typically higher than the price to residential consumers, unlike the U.S. average price to commercial consumers, which is lower than the average price to residential consumers.
- Natural gas demand in the South Atlantic Census Region – Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia – is projected to remain high, increasing by 10% from 3.47 Bcf per day in 2006 to 3.83 Bcf per day in 2008.

DISTRICT OF COLUMBIA ENERGY RESOURCES AND PRODUCTION:

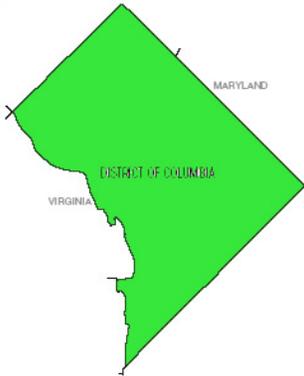
- The District of Columbia does not produce any coal, oil or natural gas. The State relies on imported fossil fuels for approximately 100 percent of its energy needs. Energy production facilities in the District of Columbia consist of the Benning and Buzzard Point electricity generation plants, both of which are fueled by petroleum.
- Over the past 97-years, the Capitol Power Plant, the only coal-burning facility in the District, had been responsible for electricity as well as heating and cooling the Capitol complex of 23 buildings, which includes office buildings, the Library of Congress, the Botanic Garden and the Government Print-

ing Office. The plant hasn't generated power since 1952, but it still provides steam for heating and cooling. The plant's boilers are fired using coal for 49 percent of their output and natural gas for 47 percent.



DISTRICT OF COLUMBIA ALTERNATIVE / RENEWABLE ENERGY:

- In January 2005, the District of Columbia enacted a renewable portfolio standard (RPS) that applies to all retail electricity sales in the District. The RPS involves a two-tiered system. Tier one renewable resources include solar, wind, biomass, landfill gas, wastewater treatment gas, geothermal, ocean and fuel cells generated by tier-one resources. Tier-two renewable resources include hydropower (other than pumped-storage generation) and municipal solid waste. By 2022, 11% of the District's electricity must be generated from renewable resources.
- PEPCO Energy Services in 2006 was awarded a contract to supply renewable energy credits to the National Geographic Society's headquarters in Washington, D.C. The 29-month contract calls for Pepco Energy Services to supply over 39 million kilowatt-hours of renewable energy certificates. When combined with the cost of electric supply under the existing contract, the National Geographic Society will pay less than the currently effective standard offer service rates for District of Columbia customers. Besides national Geographic, other notable organizations that have purchased green energy from Pepco Energy Services include the U.S. Department of Agriculture, the Department of Labor, the Department of Transportation, the Department of Energy and the Department of the Interior, as well as the U.S. Environmental Protection Agency headquarters, located in Washington, D.C.
- The District of Columbia's City Council passed The Green Building Act of 2006 on December 5, 2006. It calls for all new development in the city to conform to the U.S. Green Building Council's LEED™ standard beginning in 2008 for publicly financed buildings and 2012 for private construction. In 2008 publicly financed buildings of more than 10,000 square feet will be required to achieve 75 points on the EPA national energy performance rating system and be certified LEED Silver. Private buildings will have to switch over to the new standards beginning in 2012.



INCREASING ENERGY PRICES SQUEEZE SCHOOLS AND INDIVIDUAL CONSUMERS:

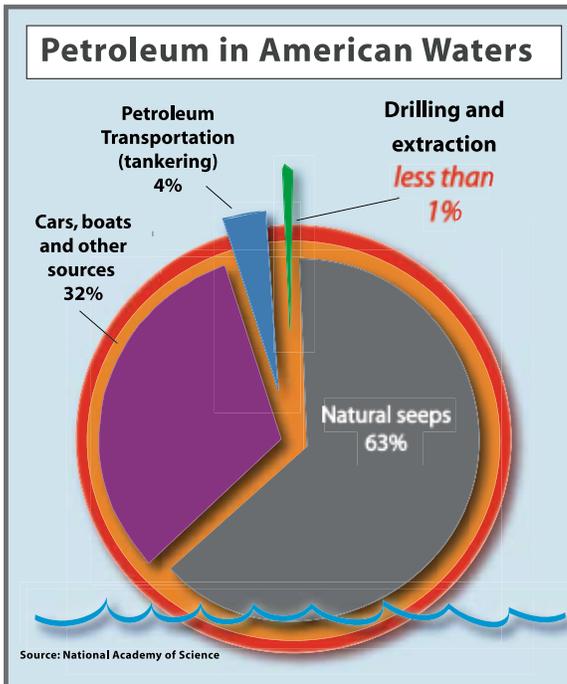
- Because of excess school space, the D.C. school system has to budget \$525 per student for energy and utility costs, compared with \$191 in other big city school districts, thus taking away from classroom instruction.
- Home heating costs have risen significantly, regardless of the energy source used. Natural gas is responsible for heating 65% of District of Columbia's homes, followed by electricity (24%), fuel oil (7%), liquefied petroleum gas (2%), and other/none (2%).
- In 2006, Congress and the District provided home heating assistance for more than 28,500 District households, a 27% increase from 2005.
- A 2006 survey compiled by the District Department of Environmental/Energy Division Planning and Evaluation Section, more than two-thirds of the respondents expressed a high level of concern regarding their home energy costs. Sixty percent of respondents reported that they had limited the amount of money they spend on basic household items to free up funds to pay their energy bill at least one month out of last year. In order to cut costs, thirty percent turned on the stove or oven for heat, with 21 percent using this method of heating one to three months



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