

CAL DOOLEY
PRESIDENT AND CEO



July 30, 2013

The Honorable Doc Hastings
Chairman
House Committee on Natural Resources
1324 Longworth HOB
Washington, D.C. 20515

The Honorable Peter DeFazio
Ranking Member
House Committee on Natural Resources
1329 Longworth HOB
Washington, D.C. 20515

Dear Chairman Hastings and Ranking Member DeFazio:

The American Chemistry Council (ACC), representing the nation's largest industrial users of natural gas, urges you to support policies that create a robust supply of natural gas produced on federal lands. Legislation being introduced by Congressman Bill Flores, the "Protecting States' Rights to Promote American Energy Security Act," will help maintain a healthy supply of competitively-priced natural gas produced on public lands. We strongly recommend that the House Committee on Natural Resources pass this bill out of committee and send it to the House floor for consideration.

Natural gas is a key cost of doing business for energy-intensive industries like the business of American chemistry. Today's abundant and affordable supplies of natural gas are creating a manufacturing renaissance in the United States. Unfortunately, policies proposed by the Bureau of Land Management may lead to reduced gas production on federal lands and higher costs for industrial gas consumers.

Access to a robust supply of natural gas on federal lands is especially important to chemical manufacturers, who use energy inputs, mainly natural gas and natural gas liquids, as both our major fuel source and a crucial feedstock. Approximately 75 percent of the cost of producing petrochemicals and plastics is related to the cost of energy-derived raw materials. Consequently, our ability to compete in global markets is largely determined by the price and availability of natural gas and natural gas liquids. And, since we supply inputs to 96 percent of the goods manufactured in the U.S., a more competitive chemical industry makes the entire manufacturing sector more competitive in global markets. With the advent of more abundant, reliable, and affordable supplies of natural gas, particularly from shale, U.S. chemical manufacturers are now globally competitive. It is essential that we maintain this critical national advantage.



The consulting firm IHS forecasts that the U.S. has a one-hundred year supply of natural gas. This resource has transformed the U.S. chemical industry from the world's high-cost producer just five years ago to among the world's lowest-cost producer today. As a result, American manufacturers enjoy a decisive competitive advantage in the cost of producing basic petrochemicals like ethylene, ammonia and methanol. For example, it costs less than \$400 a ton to produce ethylene in the U.S., when compared to more than \$1,000 a ton in Europe and even higher in Japan.

Because of this cost advantage, dozens of companies are making plans to invest in new chemical production capacities here in the United States. ACC estimates that more than \$72 billion in new capital expenditures will be invested in the U.S. between 2012 and 2020, half of which from firms that are based outside the U.S. As European and Asian companies make plans to source production in the U.S., we expect the U.S. chemical industry will create a \$46 billion trade surplus by 2020.

This newfound competitive advantage will create 46,000 jobs in the U.S. chemical industry due to expanded chemical production, according to an ACC report. In addition to the jobs created in the U.S. chemical industry, another 264,000 indirect jobs would be created in supplier industries, and another 226,000 payroll-induced jobs would be created elsewhere in the economy through household spending of wages, leading to a total of 537,000 new jobs.

These investments and new jobs could be jeopardized if natural gas production on federal lands continues to decline. Unconventional oil and gas production regulations, proposed by the Bureau of Land Management, would make natural gas produced on federal lands more expensive than gas produced on private and state lands. As a result, investment in exploration and production will migrate away from federal lands and output will continue to fall. As demand continues to increase, this supply pattern will eventually put the natural gas market out of balance, and the ensuing higher prices may mean that energy-intensive industries like ours will lose our competitive advantage.

Mr. Flores' bill will subject natural gas produced on federal lands to the same regulatory structure as gas produced on state and private lands. We believe that public policy should create a more level playing field for producing natural gas on federal, state or private lands. For these reasons, we strongly encourage your support, and that of the entire Committee, for the "Protecting States' Rights to Promote American Energy Security Act."

Sincerely,

A handwritten signature in black ink that reads "Cal Dooley". The signature is written in a cursive, slightly slanted style.

Cal Dooley

cc: Members of the House Committee on Natural Resources