STATEMENT BY

THE AMERICAN FARM BUREAU FEDERATION

TO THE

HOUSE COMMITTEE ON RESOURCES

REGARDING

ENHANCING AMERICA'S ENERGY SECURITY

Presented By

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March 19, 2003

On behalf of the American Farm Bureau Federation (AFBF), we appreciate this opportunity to express to this committee how vitally important reliable and affordable energy is to American agriculture. AFBF also appreciates the opportunity to share our vision as to how the 108th Congress can and should enhance America's energy security.

Agriculture, along with numerous other industries, is more energy efficient than ever before. From the tractors used to work the fields and raise the crops to the industries responsible for refining raw commodities into the final products consumed by the public, energy input has decreased dramatically. More than ever before, America's industrial engine is producing more and more economic benefit with less and less energy. While these energy savings have been realized throughout the agricultural and industrial sectors, the U.S. economy and population will need more energy security in the years and decades to come.

According to the Department of Energy, America currently imports 56 percent of its total oil needs. If dramatic change is not made to our current policy, the percent the U.S. imports will increase to 64 percent by 2020. The U.S. is dependent on foreign sources for our energy needs and a single event such as a labor strike in Venezuela or a conflict in the Middle East can have a dramatic effect on this county's energy prices.

Another key energy feedstock, which is very important to agriculture and associated industries, is natural gas. The price spike seen in natural gas futures in recent weeks would equate to paying over $12 for a single gallon of milk and over $9 for a single loaf of bread. While prices have moderated somewhat in the last three weeks the current price of $6 per mcf for natural gas is three times the historical cost average of $2. Like the current high gasoline prices, the natural gas crisis is another example of the failure of today's U.S. energy policy. Congress along with several federal agencies and programs have rightfully encouraged, via incentives, expanding the use of natural gas as the environmentally friendly alternative feedstock for electrical generation, home heating and industrial manufacturing. At the same time, the federal government has increased the regulatory burden on domestic natural gas exploration, drilling and production and placed moratoriums on many energy-rich areas such as the Outer Continental Shelf (OCS), the Gulf of Mexico and the Arctic National Wildlife Refuge (ANWR). If left unchanged, the U.S. energy policy toward natural gas today will certainly result in the loss of even more of our energy independence.

The current price increases have increased the cost of diesel fuel by over 30 percent when compared to this time last year. The cost of fertilizers will be up significantly as well. According to a Kansas State University study, a one-dollar increase in the price of natural gas prices will increase the cost of nitrogen fertilizer by as much as $2 to $3 per ton. Overall, the U.S. agricultural sector is bracing to pay anywhere from $1 - 2 billion more than last year just to get a crop in the ground this spring.

AFBF submits the following balanced approach as a means of reducing this country's need to import oil and energy feedstocks from foreign sources and as one way this Congress could make logical advancements in enhancing America's energy security.

Renew America's Commitment to Domestic Oil and Gas Production.

Energy rich repositories such as ANWR and the OCS must be reconsidered for oil and gas exploration and production immediately. The advancements made in oil and gas-drilling technology will make it the most environmentally sound and responsible for the capturing of energy feedstocks ever conducted.

The 2,000 acres being considered for exploration in ANWR represents less than one 1/100th of one percent of the 19 million acre reserve and would be within a portion of ANWR known as the 1002 area. The 1002 area was set aside in 1980 by then President Carter and Congress for future oil and gas exploration. Conservative estimates are that by using environmentally sound, advanced drilling technologies, upwards of 10.4 billion barrels of oil and 50 trillion cubic feet of natural gas are recoverable from this small acreage. In terms of oil production, ANWR potentially represents 1.3 million gallons per day (nearly the same amount currently imported from Saudi Arabia) deliverable to the lower 48 states for 25 or more years. Domestic production in ANWR coupled with lifting the moratoriums in the Outer Continental Shelf and Gulf of Mexico would assist in stabilizing the energy prices of the future.

Encourage the Utilization of Renewable Energy Sources.

Renewable energy sources must play a vital role in securing America's energy future. As with drilling techniques, many advancements have occurred in the area of utilizing renewable energy sources such as ethanol, biodiesel, wind and biomass.

The Renewable Fuels Standard (RFS), as agreed upon by the Senate in the last Congress, would have displaced some 66 billion gallons of crude oil from foreign sources and replaced it with clean-burning ethanol and biodiesel. The environmental benefits of ethanol and biodiesel cannot be overstated. Ethanol, made from renewable feedstocks, can be used to obtain compliance for clean air standards and will be used to replace Methyl Tertiary-Butyl Ether as it is being phased out on a state-by-state basis. Biodiesel made from vegetable oils and animal byproducts, is nearly sulfur-free and can reduce the amount of poly-aromatic hydrocarbons currently found in diesel fuel by up to 90 percent. In addition to the benefits of renewable fuels in meeting numerous clean air standards, an aggressive RFS would also lower our dependence on foreign oil while serving as a significant rural economic stimulus.

Other renewable sources such as wind farms, biomass generation, hydropower and solar must also be encouraged by this Congress in a comprehensive energy policy. All these forms of renewable energy show great promise and will further reduce our reliance on conventional energy and foreign sources.

Continued Incentives for Energy Use Efficiency

This Congress must provide further incentives to the public, private and industrial sectors to encourage even more economically viable energy efficiencies than what have been accomplished thus far. Through proper incentives, further efficiencies can and will be made in energy use. While efficiencies alone will not displace this country's need for the development of new domestic energy sources, further efficiencies via incentives and new technology would complement the above-mentioned strategies in lowering our dependence of foreign sources for America's energy needs.

This Congress should take proactive steps to add balance to the U.S. energy equation. By acting this year, the 108th Congress can strike a balance of increasing the domestic production of conventional energy sources with the development of renewable energy sources. This action will result in lowering our reliance on foreign sources for our energy needs today and contribute to America's energy independence for future generations.

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