



Agriculture Energy Alliance

Representing agriculture as a producer and consumer of energy

October 11, 2005

5-Year Program Manager
Minerals Management Service (MS-4010)
381 Elden Street
Herndon, VA 20170

Re: Minerals Management Service (MMS) Request for Comments on the Preparation of a New 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2007-2012. 70 Federal Register 49669-49679 (August 24, 2005)

Dear 5-Year Program Manager:

The Agriculture Energy Alliance is pleased to comment on the Minerals Management Service (MMS) Request for Comments on the preparation of a new 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2007-2012. The Agriculture Energy Alliance represents 72 growers and agribusinesses that face a looming crisis because of public policies that create demand for natural gas while restricting access to supply sources. The farm sector depends on significant use of natural gas for food processing, irrigation, crop drying, heating farm buildings and homes, crop protection chemicals, and nitrogen fertilizer production. Therefore, Agriculture Energy Alliance has a direct and a strong interest in the development of the next offshore leasing program.

We commend the Minerals Management Service (MMS) for asking for comments on **all** areas of the Outer Continental Shelf (OCS), including the 89% of the lower 48 OCS acreage, the Atlantic and Pacific offshore and most of the Eastern Gulf of Mexico (as well as the resource-rich areas off Alaska's coast) that remains "off limits" due to moratoria. The OCS is vitally important to America's energy security. It contains huge, untapped resources of oil and natural gas that are critically important to sustaining our national economic growth and maintaining much-needed jobs in virtually every sector of the economy.

The bottom line is that we need to fully develop the OCS and we urge you to adopt as expansive a 5-year leasing program as possible.

For too long, OCS development has been limited to the Central and Western Gulf of Mexico. This has been a vitally important area—supplying almost 30% of the oil produced in the US and about 20% of the natural gas. As we have been reminded all too starkly by recent events, disruptions in supplies from this area have national implications affecting consumers throughout the country. While this area will remain vitally important, it is clear we must expand energy development to other parts of the OCS.

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The next 5 year plan must provide for expanded leasing in the OCS.

While the OCS has played a key role in helping meet US energy needs, particularly the need for clean-burning natural gas, expanded access to new OCS areas is needed to ensure adequate future domestic energy supplies. US energy policy has not sufficiently emphasized the importance of developing domestic oil and natural gas supplies.

As the Congressional Joint Economic Committee pointed out, US policy has encouraged the use of clean-burning natural gas, while discouraging the development of new supplies—an approach that they called “a recipe for problems.” The next 5-year plan can take an important step to address American consumers’ future energy needs by providing for expanded OCS leasing, including:

- Open the remaining Sale 181 area; it has substantial energy resource potential and access to existing infrastructure that could help speed delivery to energy users.
- Expand acreage offered for lease in Alaska. Alaska’s OCS is estimated to contain 122 trillion cubic feet (Tcf) of natural gas and 25 billion barrels of oil—enough natural gas to heat more than 60 million homes for 30 years and enough oil to fuel more than 50 million cars for 15 years.
- Provide a flexible, timely process for amending the plan to allow inclusion of areas where development is currently prohibited should they be opened to development in the future.

Policymakers intended to use the OCS to support energy development.

The Outer Continental Shelf Lands Act (OCSLA) explicitly recognizes the importance of OCS oil and natural gas production. The OCSLA declares that it is “...the policy of the United States that...the Outer Continental Shelf is a vital national resource reserve held by the Federal Government for the public, which should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs.” Further, the 1978 amendments to the OCSLA found that “... increasing reliance on imported oil is not inevitable, but is rather subject to significant reduction by increasing the development of domestic sources of energy supplies...”

Substantial OCS resources could be developed.

Various types of moratoria have restricted energy development by preventing exploration and production off most US coastlines. Such restrictions mean we are denying American consumers vast domestic energy supplies. For example, it is estimated that there are about 300 Tcf of natural gas and more than 50 billion barrels of oil on the OCS off the 48 states that can be recovered using today’s technology but which have yet to be discovered.

To put this in perspective, this is enough oil to maintain current US oil production for more than 80 years and current natural gas production for almost 70 years. Put another way, this is enough oil to produce gasoline for 116 million cars *and* heating oil for 47 million homes for 15 years. Or, it is enough oil to replace current imports from the Persian Gulf for 59 years and enough natural gas to heat 75 million homes for 60 years. Or, it could supply current industrial and commercial needs for 29 years. Or, it could supply current electricity generating needs for

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55 years. And, that is before the Alaska OCS is considered, with additional resources of 122 Tcf of natural gas and 25 billion barrels of oil. The importance of these resources cannot be overstated.

Current resource estimates could well understate OCS supply potential.

Experience suggests that there may be even greater OCS resources than the data show. Current resource estimates may be conservative since the areas are largely unexplored and the estimates have not benefited from the use of new seismic and computer modeling technology. Generally, the more an area is explored, the more its resource estimates grow. For example, government estimates of undiscovered oil in the Central and Western Gulf of Mexico increased by over 400% between 1995 and 2003 and undiscovered natural gas resources by more than 100%.

Failure to expand access comes at a high cost.

U.S. agriculture depends on natural gas for many very basic items in the food production chain. Farmers and related agribusinesses use natural gas for irrigation, crop drying, food processing, crop protection and nitrogen fertilizer production. By far, the most intensive use of natural gas by the farm sector is in the production of nitrogen fertilizer, which is used on nearly every crop produced in this country.

Across the nation, Americans will pay a high price if the OCS remains essentially “off limits.” The US Energy Information Administration (EIA) forecasts that, by 2025, petroleum demand will increase by 39% and natural gas demand by 34%. EIA also estimates that oil and natural gas will provide nearly two-thirds of the energy consumed in 2025.

In the past two years, higher energy prices have slowed US economic growth by .5 to 1.0% (based on pre-hurricane prices). For example, more than 2.8 million US manufacturing jobs have been lost since 2000. Since 2002, 36% of the US nitrogen fertilizer industry—which uses natural gas as a raw material—has been shut down or mothballed. According to USDA, farmers fuel, oil and electricity expenditures increased from \$8.6 billion to \$11.5 billion from 1999 to 2005. Over the same time period fertilizer expenditures went from \$9.9 billion to \$11.5 billion. Combined, these expenditures represent a \$4.5 billion decline in U.S. farmers’ bottom line over a 6 year period. The US chemical industry has been especially hard hit by high energy prices since natural gas is needed as a feedstock—their natural gas costs increased by \$10 billion since 2003. And, \$40 billion in business has been lost to overseas competitors who pay less for natural gas. Chemical companies closed 70 facilities in the United States in 2004 and have tagged at least 40 more for shutdown. Of the 120 chemical plants being built around the world with price tags of \$1 billion or more, only one is in the U.S.

In summary, expanded OCS access is a national imperative and the nation just received a wake-up call. The OCS has played a growing role in US natural gas and oil supply for more than 50 years. Technological advances not only helped increase and expand production, but also have assured safe operations that protect the environment. Worldwide, virtually every other country with oil and gas resources is promoting investment in and developing their offshore resources.

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The US has an opportunity to improve our energy situation and continue to support economic growth, while providing consumers and businesses with the essential energy that they need. Let's seize this chance to ensure a brighter future for us all by adopting an expansive OCS leasing program.

The Agriculture Energy Alliance appreciates the opportunity to comment. If you have any questions, please contact Rosemary O'Brien at 202-371-9279 or robrien@cfindustries.com.

Sincerely,

**Agribusiness Association of Iowa
Agribusiness Council of Indiana
Agricultural Council of California
Agricultural Retailers Assn.
Agrium Inc.
Alabama Crop Management Assn.
American Farm Bureau Federation
American Soybean Assn.
Arkansas Plant Food Assn.
CF Industries
CHS Inc.
California League of Food Processors
CoBank (CO)
Colorado Grain & Feed Assn.
CropLife America
Delaware Maryland Agribusiness Assn.
Diamond of California
Far West Agribusiness Assn.
Georgia Agribusiness Council, Inc.
Georgia Feed & Grain Assn., Inc.
GROWMARK, Inc.
Hawaiian Alliance for Responsible
Technology & Science
Illinois Fertilizer & Chemical Assn.
Indiana Grain & Feed Assn.
Indiana Plant Food & Ag Chemicals Assn.
Intermountain Farmers Assn.
Iowa Institute for Cooperatives
Kansas Agribusiness Retailers Assn.
Kansas Grain and Feed Assn.
Land O' Lakes, Inc.
Louisiana Ammonia Producers
MFA Incorporated
Michigan Agri-Business Assn.
Minnesota Agri-Growth Council
Minnesota Crop Production Retailers
Missouri Ag Industries Council, Inc.
Montana Agricultural Business Assn.
National Association of Wheat Growers
National Barley Growers Assn.**

**National Chicken Council
National Corn Growers Assn.
National Council of Farmer Cooperatives
National Sorghum Producers
National Grange
National Renderers Association, Inc.
National Sunflower Assn.
National Turkey Federation
Nebraska Agri-Business Assn.
North Dakota Agricultural Assn.
Oklahoma Ag Retailers
Oregon Wheat Growers League
Plant Food Association of
North Carolina, Inc.
PotashCorp
Rocky Mountain Agri-Business Assn.
Society of American Florists
South Carolina Fertilizer &
Agrichemical Assn.
South Dakota Agri-Business Assn.
Southern Crop Production Assn. (GA)
Tennessee Agricultural Production Assn.
Terra Industries
Texas Ag Industries Assn.
Texas Agricultural Cooperative Council
The Fertilizer Institute
The Mosaic Company
U.S. Canola Assn.
USA Rice Federation
Virginia Crop Production Assn.
Virginia Poultry Federation, Inc.
Western Peanut Growers Association (TX)
Western Plant Health Association (CA)
Wisconsin Fertilizer and Chemical Assn.**