

Ag Energy Alliance

1401 Eye Street, NW. #340, Washington, DC 20005

February 22, 2005

James L. Connaughton
Chairman, Council on Environmental Quality
Council on Environmental Quality
722 Jackson Place, NW
Washington, DC 20503

Dear Mr. Connaughton,

As the Administration and its various agencies participate in the formation and implementation of policies on liquefied natural gas (LNG), the agricultural community asks that these policies continue to be based on sound science, thorough cost-benefit analyses, and research and development of innovative technologies to minimize the environmental impacts on our precious natural resources. We ask that monitoring data and adaptive management policies, rather than worst-case scenario models and the precautionary principle, be used in assessing potential environmental impacts and economic and societal impacts of LNG projects and other energy policies.

The American farmer's ability to be efficient and environmentally friendly faces a looming crisis because of current public policies that artificially create demand for certain energy resources, like natural gas, while restricting access to supply sources. The current natural gas crisis has two solutions – increase supply and reduce demand. Our Nation faces the daunting task of finding ways to balance the limited supply of, and rising demand for, natural gas. The agricultural community can produce an abundant, affordable and healthy food supply, but we need Congress and the Administration to produce the kind of policies that will enable access to the cost competitive resources needed to accomplish this.

In his June 2003 testimony before the House Committee on Energy and Commerce, Federal Reserve Board Chairman Alan Greenspan testified that "limited capacity to import liquefied natural gas (LNG) effectively restricts our access to the world's abundant supplies of gas." Chairman Greenspan concluded that to restore flexibility in natural gas markets, LNG imports will play an important role in future U.S. energy policy. "Access to world natural gas supplies will require a major expansion of LNG terminal import capacity. Without the flexibility such facilities will impart, imbalances in supply and demand must inevitably engender price volatility."

The farm sector depends on significant use of natural gas for food processing, irrigation, crop drying, heating farm buildings and homes, 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 virtually every crop produced in this country. The food that we grow, consume and sell to the world depends on a ready supply of fertilizers like ammonia and urea, and diammonium phosphate. The agricultural community has become much more efficient in its use of energy resources. Since 1980, U.S. farmers have increased nitrogen use efficiency by 35 percent while boosting corn yields by 40 percent.

Additional supply is available from three primary sources: onshore and offshore production, and LNG. While there is considerable activity underway in each of these areas, federal agencies must be proactive in facilitating the timely development of these critical supply resources. We believe federal agencies must take action to ensure that the necessary LNG terminal facilities are sited, built, and operated in a safe, environmentally responsible, cost effective, and expeditious manner. We stand ready to work with you on this extremely important policy that is critical to U.S. farmers, fertilizer producers, and consumers.

Sincerely,

Agribusiness Association of Iowa
Agricultural Council of California
American Farm Bureau Federation
CF Industries, Inc.
CHS Inc.
California League of Food Processors
Far West Agribusiness Association
GROWMARK, Inc.
Illinois Fertilizer & Chemical Association
Indiana Plant Food & Ag Chemical Assn.
Land O'Lakes, Inc.
Louisiana Ammonia Producers
MFA Incorporated

Minnesota Crop Production Retailers
Association
Missouri Ag Industries Council, Inc.
National Corn Growers Association
National Council of Farmer Cooperatives
National Grange
National Renderers Association, Inc.
Nebraska Agri-Business Association, Inc.
Oklahoma Agribusiness Retailers Assn.
Terra Industries Inc.
Texas Ag Industries Association
The Fertilizer Institute

cc: Secretary Mike Johanns, Department of Agriculture
Secretary Carlos Gutierrez, Department of Commerce
Secretary Samuel W. Bodman, Department of Energy
Secretary Norman Y. Mineta, Department of Transportation
Admiral Thomas H. Collins, Commandant U.S. Coast Guard
Chairman Pat Wood, III, Federal Energy Regulatory Commission