

State of the Energy Industry & Policy

Overview of 111th Congress & the new Administration

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Consumer Energy Alliance

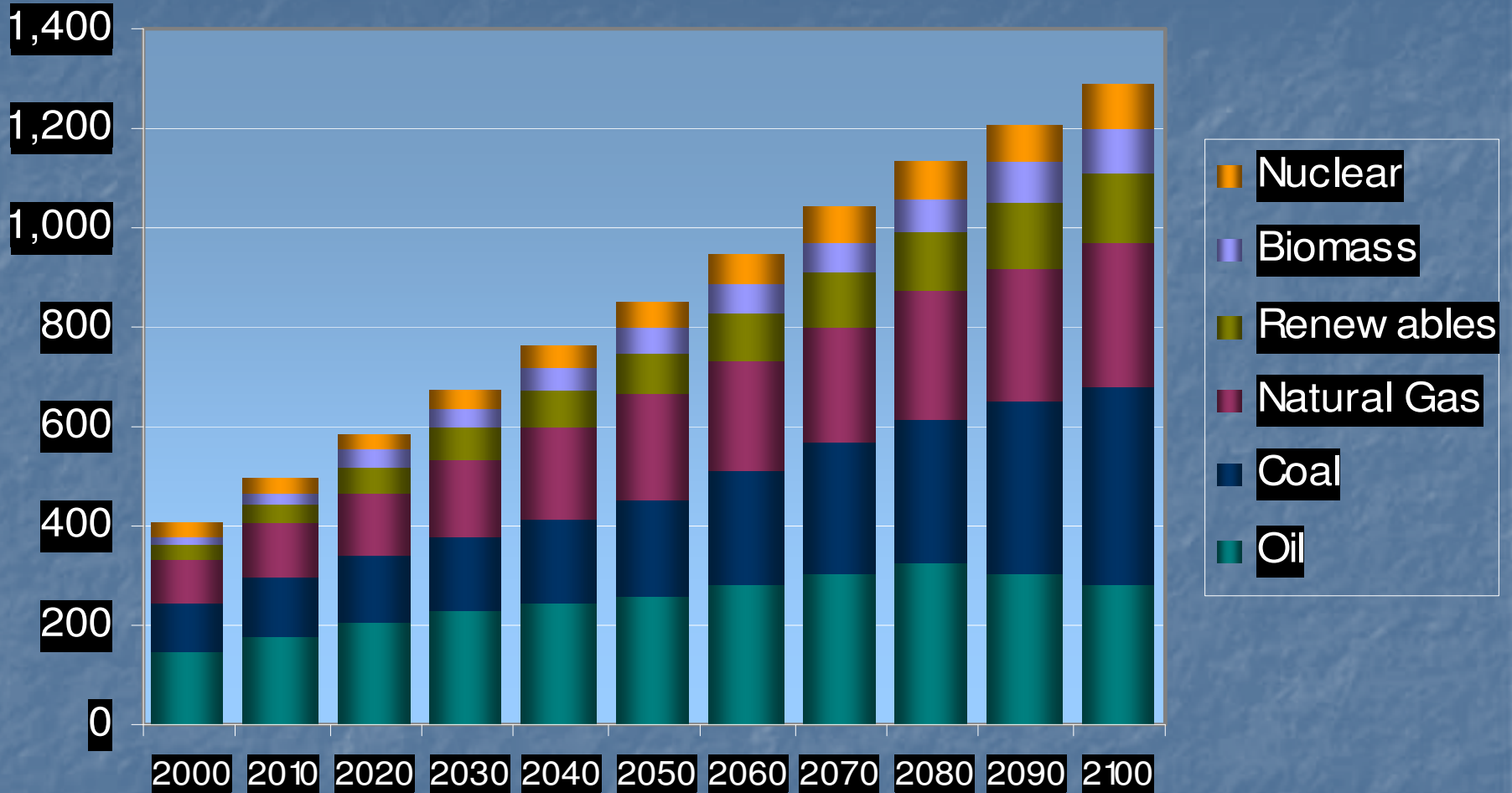
- **Non-Profit, Non-Partisan organization committed to working with elected leaders, affected stakeholders and consumers to help create sound energy policy and maintain stable energy prices**
- **Mission: Expand the dialogue between the energy and consuming sectors to:**
 - Improve overall understanding of energy issues; and,
 - Ensure that the views of the private energy sector and the American consuming public are included in the decisions Congress will make about the development and utilization of our nation's energy resources.
- **A Horizontal Approach: More than 110 Affiliated Organizations & Nationwide Network of more than a Hundred Thousand of Consumer-Advocates**
 - Energy Industry (Upstream & Downstream)
 - Alternative Energy
 - Small Business
 - Retirees
 - Military
 - Travel & Tourism
 - Highway Users
 - Trucking & Food Distribution
 - Home Builders
 - Restaurants
 - Geology
 - Publishing
 - Academia
 - Elected Officials

US Energy Demand

- **Energy drives the American Economy**
 - Petroleum powers our transportation sector
 - Natural gas is feedstock for chemicals, plastics
 - Natural gas is increasingly used for electricity generation
- **Since 1980**
 - U.S. energy demand has increased by 30%
 - U.S. energy supply has increased by only 15%
- **Since 1995**
 - U.S. consumption has increased by 12%
 - U.S. energy supply has increased by only 1%



Projected World Primary Energy Demand

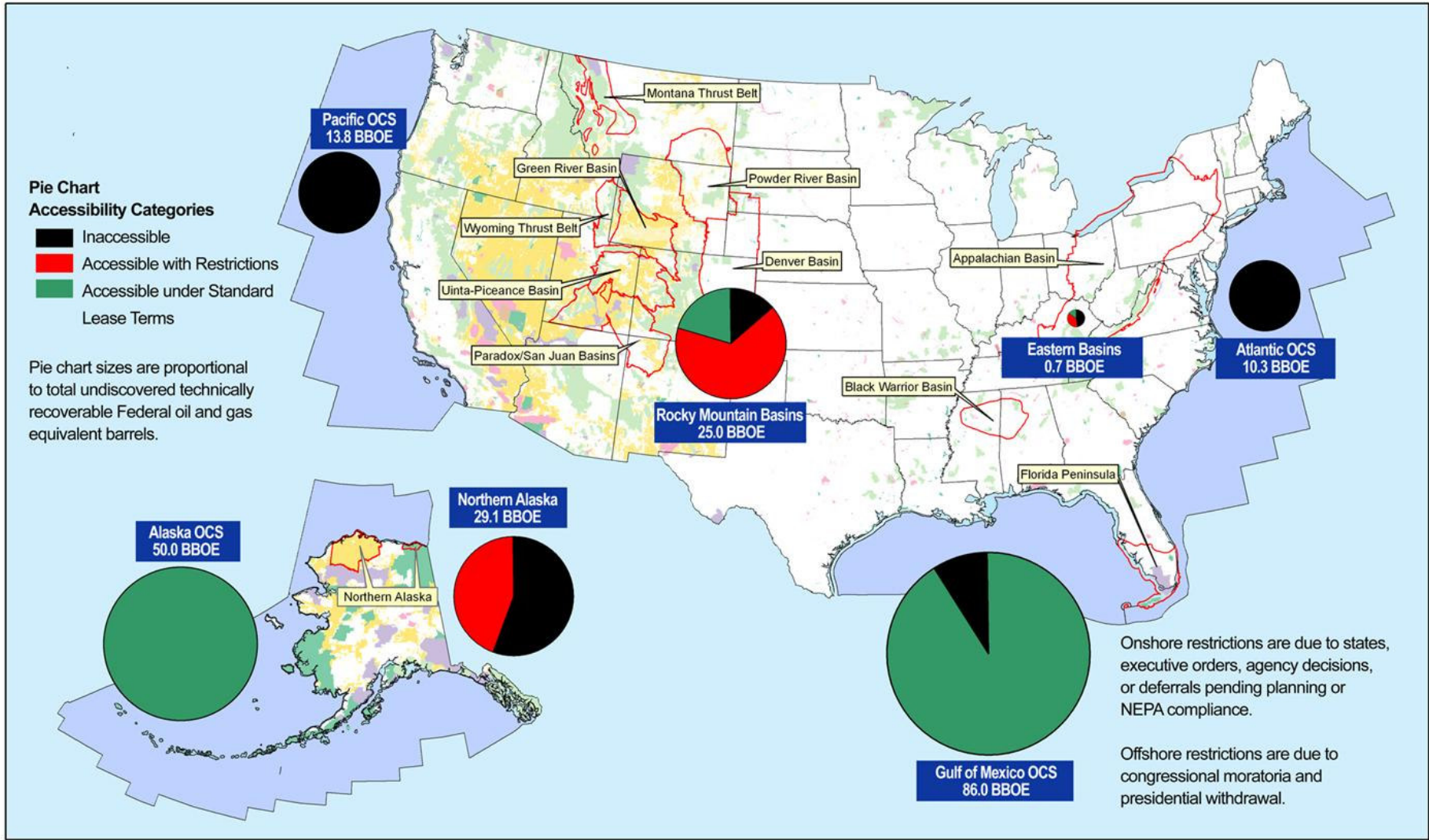


Source: Battelle Global Energy Technology Strategy Project; Climate Change Science Program. 2007, *Scenarios of Greenhouse Gas Emissions and Atmospheric Concentrations (MINICAM Results)*.

Projected World Primary Energy Demand

- According to the EIA, global energy consumption will increase 57% between 2004 and 2030 with supply growth from oil, natural gas, coal, nuclear and renewables.
- In 2030, oil, natural gas and coal are still projected to supply 87% of total global energy demand.
- Alternative energy must be vigorously explored, but we must recognize that it will be decades before alternative solutions will make a meaningful impact. To bridge this gap, we must utilize our own oil and gas resources.

Restrictions on Access to Oil and Gas Resources on Federal Lands



Impact of Recent High Energy Prices on Industry & Jobs

- According to the ACC, high energy prices have resulted in:
 - 2.9 million lost manufacturing jobs,
 - more than 100,000 lost chemical industry jobs and 100 closed chemical facilities,
 - 182,000 lost forest and paper industry jobs and 232 closed mills, and
 - 36 percent of the fertilizer industry shut down or mothballed
- Higher fuel prices were projected to cost U.S. airlines \$18.3 billion more in 2008 than in 2007.
- In 2007, the trucking industry spent more than \$112 billion on fuel and anticipate that the figure will likely increase to \$154.1 billion in 2008, according to the American Trucking Associations.
- The USDA reports that farming production expenses for 2008 are forecast to increase to almost \$280 billion, up 9 percent from 2007.

Energy Price Volatility

- **Today's energy problems remain one of the main issues for America's consumers, businessmen and political leaders.**
- **Increasing energy costs and destabilizing price volatility are at the core of some of the country's most pressing security and economic issues.**
- **Increasingly unstable energy prices are likely to continue to rise as supplies tighten and longterm speculators impact the market as they face troubling global energy realities.**

Makeup of the 111th Congress

- **House**
 - **257 Democrats**
 - **178 Republicans**
- **Senate**
 - **57 Democrats**
 - **41 Republicans**
 - **2 Independents**

111th Congress - House

- **Speaker of the House**
 - **Nancy Pelosi (D-CA)**
- **Natural Resources Committee**
 - **Nick Rahall (D-WV)**
- **Energy & Commerce Committee**
 - **Henry Waxman (D-CA)**
- **Ways & Means Committee**
 - **Charlie Rangel (D-NY)**

111th Congress - Senate

- **Majority Leader**
 - **Harry Reid (D-NV)**
- **Energy & Natural Resources Committee**
 - **Jeff Bingaman (D-NM)**
- **Environment & Public Works Committee**
 - **Barbara Boxer (D-CA)**
- **Finance Committee**
 - **Max Baucus (D-MT)**

111th Congress – Agenda

- **Leadership in both the House and the Senate have announced their intention to “move past” the fuel price spikes of 2008 and resume efforts to implement the agenda focused on:**
 - **OCS Moratorium**
 - **Oil Shale Moratorium**
 - **Carbon-emissions permitting requirements**
 - **Endangered Species Act**
 - **Clean Water Act**
 - **NEPA**
 - **Ever-stricter Clean Air Act requirements**
 - **Increased CAFE requirements**
 - **Low Carbon Fuel Standard**
 - **Carbon Cap-and-Tax Program**

Obama Administration

- **Chief of Staff**
 - **Rahm Emanuel**
- **White House Energy & Climate Change Czar**
 - **Carol Browner**
- **Department of Interior**
 - **Ken Salazar**
- **Environmental Protection Agency**
 - **Lisa Jackson**

Obama Administration – Agenda for 2009-2010

- **Energy Policy & Climate Change Policy viewed with same lens**
- **Would like Congress to move on all the major energy/environmental/climate change initiatives**
- **If Congress fails to pass legislation in first 18 months, Administration will start to move on regulations to implement these policies**

The Climate Change Prism

- **President and Congress are committed to regulating carbon emissions in order to reduce global climate change**
 - **Stationary Sources – Cap-and-Trade program**
 - **Mobile Sources – Low Carbon Fuel Standard**
- **President and Congress want Congress to enact legislation requiring EPA to set up climate change programs**
 - **Very high profile legislative debates in both House and Senate**
 - **Democrats have necessary support in House**
 - **Democrats will need 60 votes in Senate**
- **If Congress fails to enact legislation on either Cap-and-Trade program or Low Carbon Fuel Standard, EPA will move to set up programs administratively**

Influencing Policy

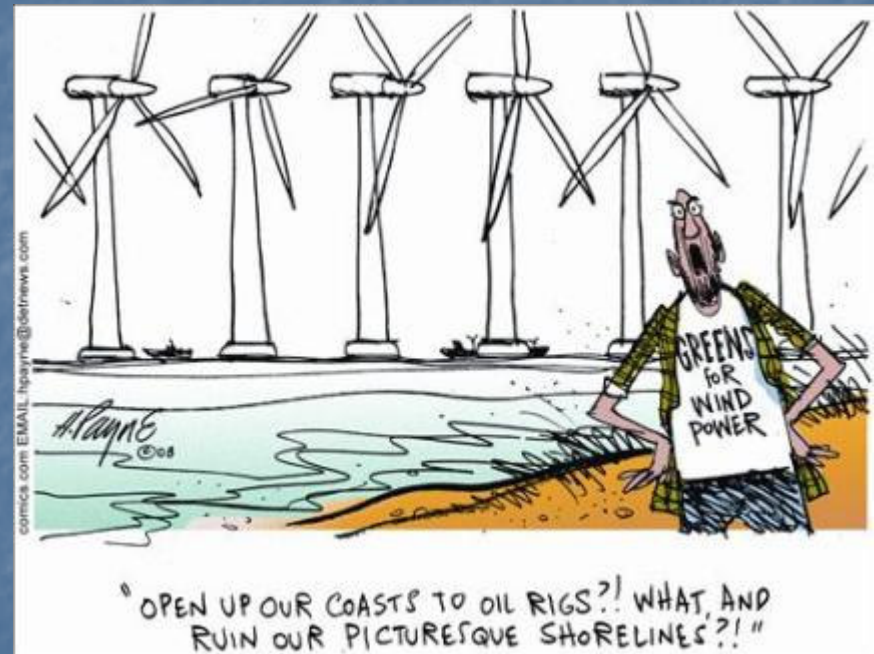
- **Congress, the White House, and Federal Departments & Agencies have responded to pressure from outside the beltway when making policy decisions**
- **The 111th Congress and the Obama Administration will set their agendas based on the input and pressure that they receive from their constituents and stakeholders**

Energy Initiatives Under Assault

- **More than 100 ENGOs in N. America consistently oppose traditional energy resources, and, increasing oppose alternative energy**
 - **99 percent of ENGOs generate grassroots comments**
- **More than 100 cases of litigation by ENGOs in North America alone – initiated by strong coalitions**

Energy Initiatives Under Assault

- **Opposition Groups have developed a very effective public communications game-plan that has largely been unchecked for decades**
 - **Consistency on policy objectives**
 - **Play offense**
 - **Play outside the beltway**
 - **Recruit strong allies**
 - **Reward good behavior and punish bad behavior**



What's at Stake?



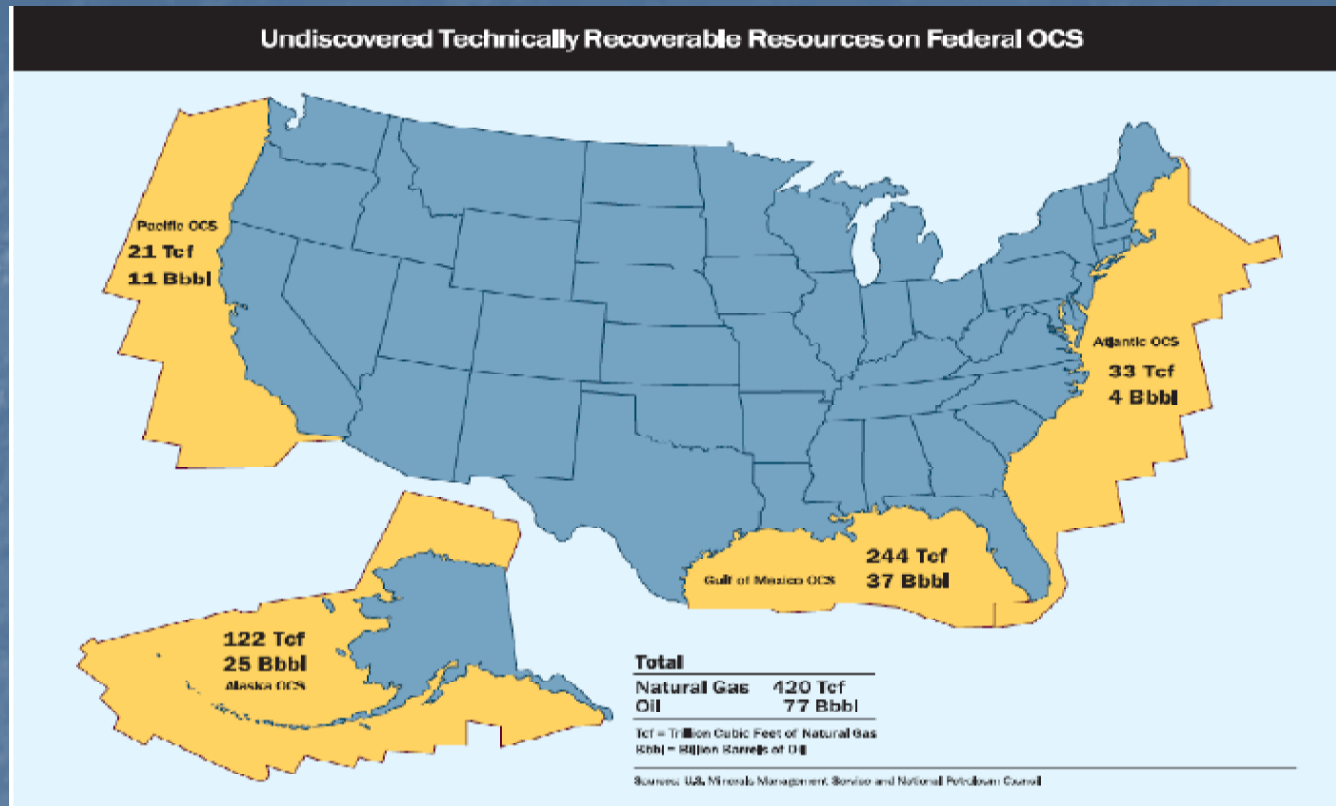
- We Need It All
- Secure domestic energy at affordable prices
- National energy policy that utilizes all domestic energy resources and decreases imports

- Access to onshore and offshore O&G
- Opportunity to address common misconceptions about the energy industry among the consuming public
- Long-term national energy security and stabilized prices for energy consumers

Access & the MMS Five Year Plan

- Every five years, U.S. Minerals Management Service (MMS), responsible for oil and gas leasing in the U.S. offshore, develops a Five Year Plan.
- Plan determines where and how often oil and gas lease sales will occur over the five year period.
- MMS accepts comments regarding the public's interests and concerns over offshore oil and gas development.

Access & the MMS Five Year Plan



- MMS estimates that there are currently 86 billion b/o and 420 tcf of natural gas technically recoverable from all federal offshore areas - that is equivalent to three times the oil resources of Canada and Mexico combined and almost 6 times the natural gas resources of these two countries.

New 5YP 2010 to 2015

- **MMS is now accepting public comments on the development of a new offshore program for 2010 to 2015.**
- **Starting a new Five Year Plan process now could give the new Administration a two-year advance in developing and expanding offshore energy production in federal waters – a necessary resource at a time of highly volatile oil prices and severe economic stagnation.**
 - **Developing U.S. resources will help industries that rely on crude oil and natural gas, strengthen national energy & economic security and supply much needed jobs as new areas are opened to development.**

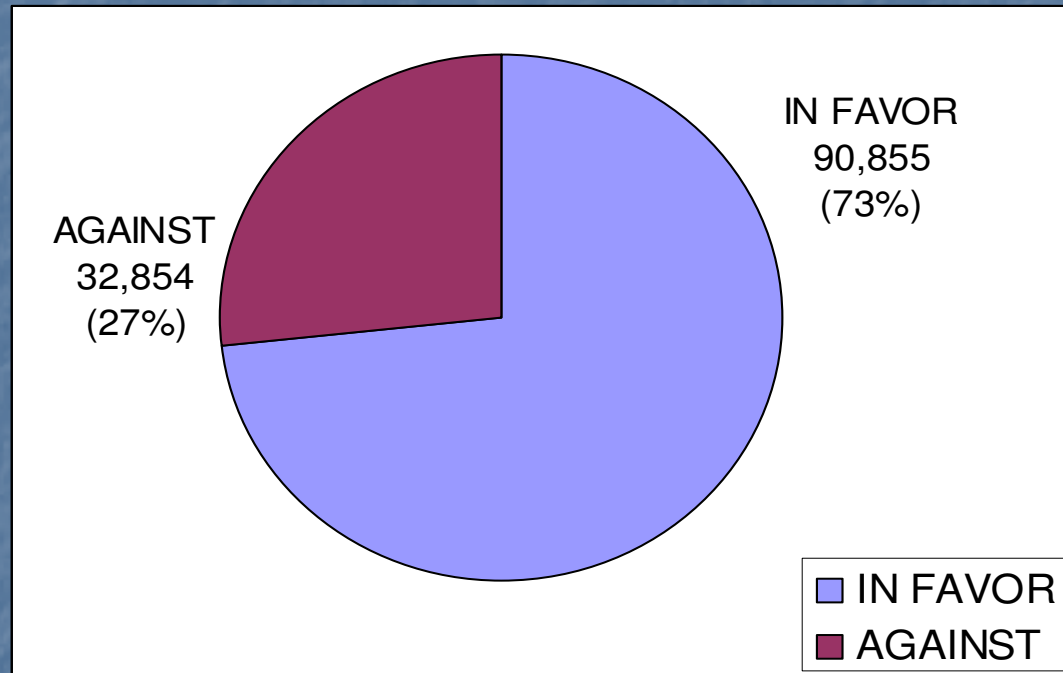
OCS 5YP Grassroots Objectives

- **To maximize offshore access**
- **To build a strong record of support in favor of a robust 5-Year Plan**
- **To enhance dialogue with government and community stakeholders**
- **To balance the record for U.S. access**



David E. Holt, CEA

2007-2012 5YP Comment Period Showed Great Support



- 90,855 total positive comments (73%)
- 32,854 total negative comments (27%)
- 123,709 total comments, in all

A Consolidated Approach

- **The Dialogue needs to begin in this Room.**
- **Consumer groups welcome the energy industry's message.**
- **Without having a sustained conversation, many end-users gravitate to what they read in the newspaper – support for Windfall Profits Tax, Dirty Oil, No Drill/No Spill.**
- **Energy/Consumer dialogues have helped introduce some groups to a new part of the equation.**

A Consolidated Approach

- **Long-term national outreach campaign that brings energy industry & stakeholders together into an effective public communications effort**
 - **Unified, coherent messaging to address need for balanced energy policy**
 - **Industry and consumer coalition- and message-building**
 - **Effective dialogue among interested stakeholders**
 - **Comprehensive & long-term grassroots and grasstops campaign**

Upcoming Initiatives

- **In the coming months CEA is looking to build a nationwide network of a least one million citizen supporters.**
- **Allows thousands of consumer activists in every state and Congressional district to pressure their elected officials, writing letters to the editor, posting blogs on key websites and making their voices heard.**
- **Achieving these goals also means CEA will have to greatly expand our activities.**
 - **Expanding the Annual CEA Energy Day and CEA Energy Forum;**
 - **CEA Energy/Consumer Packages for 111th Congress highlighting the impacts of high energy prices on consumers and offering solutions;**
 - **Support of the Five Year Plan for offshore development;**
 - **Utilizing our expanded our website with easier & more interactive functions;**
 - **Launching CEA Chapters in key states; and**
 - **Continuing efforts to support balanced energy policy and reduced prices for consumers.**

Questions?

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