

NEWS CONFERENCE REMARKS

**INDUSTRIAL NATURAL GAS CONSUMERS
& NATURAL GAS PRODUCERS
CALL FOR ACTION**

“SOLUTIONS FOR AMERICA”

**NATIONAL PRESS CLUB
WASHINGTON DC
MARCH 28, 2006, 9:30 – 11:00 A.M. EST**

Steve Wilson, Chairman & CEO, CF Industries Holdings, Inc.

Daniel DiMicco, Chairman & CEO, Nucor Corporation

Laurence M. Downes, Chairman & CEO, New Jersey Resources

Larry Nichols, Chairman & CEO, Devon Energy

Jim Hackett, Chairman, President & CEO, Anadarko Petroleum

Jim Hackett, Chairman, President & CEO, Anadarko

- Good morning and thank you for being here today. My name is Jim Hackett, and I'm Chairman and CEO of Anadarko Petroleum. We're a large independent exploration and production company... "Independents" refers to companies that do not own refineries or gasoline stations ... we find and produce products like natural gas for refiners and retailers. We do not make gasoline.
- Here with me today are four colleagues, Daniel DiMicco, CEO of Nucor Corporation; Larry Downes, CEO of New Jersey Resources; and Stephen Wilson, Chairman and CEO of CF Industries Holdings. These gentlemen represent large industrial consumers of natural gas.
- Also, I'd like to introduce my colleague Larry Nichols with Devon Energy. Devon and Anadarko are two of the largest domestic producers of natural gas in North America... and we are among the most active drillers in North America.

- The five of us are here today to talk about the vital issues surrounding our nation's approach to energy – specifically natural gas.
- Let me be perfectly clear. For the most part, natural gas is a North American commodity – and that is the focus of our talk today. We're not here to talk about oil or gasoline ... that can be for another day.
- We're facing big challenges in natural gas supply in this country. We need to send strong messages on trying to conserve energy and we need to increase supplies. There are clear steps that Congress and the Administration can take to help us tap vast domestic natural gas resources ... if we can only get permission from the government to produce them. In the U.S., there is about **one thousand and forty trillion {or 1.04 quadrillion} cubic feet of gas waiting to be discovered (according to the MMS).**
- But **we can't get access** to most of that energy because of various government restrictions.

- **We're here to call on the United States Congress and the Administration to help us increase supply ... any way they can ... and as soon as they can.**
- This morning, each of us will make a brief opening statement then we will take your questions.
- To start, I'd like to introduce Steve Wilson, Chairman & CEO CF Industries Holdings, Inc... CF Industries manufactures nitrogen and phosphate fertilizer products at facilities in Louisiana and Florida. CF provides over **1,300 jobs** in the U.S. to individuals who are dedicated to **providing American farmers** with the fertilizers they need to produce abundant crops. CF also operates a nitrogen complex in Alberta serving the U.S. and Canadian markets.

Steve Wilson, Chairman & CEO, CF Industries Holdings, Inc.

- Thanks, Jim.
- My company produces fertilizers used by America's farmers. While I'm here as a natural gas consumer, not a gas producer, our fundamental messages are the same: America must increase its domestic supply of natural gas.
- We urge the federal government to expedite development of our natural gas resources. Our nation's policy of "encourage natural gas usage but don't drill" understandably has led to increased demand and painfully high prices. While our company is committed to conservation and practices it everyday, we cannot just conserve our way out of this situation. We have to add new domestic supply and we must start now.
- My message to you is, of course, on behalf my company, our employees and shareholders — but also importantly on behalf of our ultimate customers, America's farmers.

- U.S. agriculture, a major export industry, needs a dependable supply of reasonably priced natural gas to make nitrogen fertilizer. Natural gas is the raw material used to make ammonia, the building block of all nitrogen fertilizers. You could say natural gas is to ammonia what flour is to bread. Today it is 90 percent of the cost of production.
- Forty percent of U.S. crop production depends on using nitrogen fertilizers. And without nitrogen fertilizers, U.S. corn yields would drop an estimated 40 percent. There is a clear direct linkage of natural gas to fertilizer to our food supply.
- Since 2000, the U.S. fertilizer industry has watched natural gas prices rise from \$2.50 per million BTUs in the Gulf to a high of \$15 this past December. Some of our global competitors pay 50 cents to \$1.50 for their gas. Each dollar rise in natural gas prices adds about \$33 to the cost of making a ton of ammonia. So our natural gas cost rose from about \$80 to nearly \$500 per ton from 2000 through last fall.

- U.S. producers made 18 million tons of ammonia in 2000. By the end of last year, U.S. producers were operating at an annual rate of 10 million tons; that's a 44 percent drop.
- My company has first class globally competitive assets run by highly skilled employees. But high feedstock cost has caused us to look offshore for future nitrogen projects.
- Without question, American farmers have felt this blow. Since 2002, the price of ammonia has more than doubled and recently has moved as high as \$500 per ton.
- The continued loss of U.S. nitrogen fertilizer production due to high natural gas prices has forced farmers to rely to a great extent on imports — which are up 80 percent since 2002 — in many cases coming from volatile regions, such as Russia and Venezuela. Putting our food production at risk is not an acceptable option for the United States, a country that prides itself on being the breadbasket for the world.

- It is irrational for our government to continue to increase demand for natural gas while restricting access to supply. The free market can solve this problem if government allows it to do so. We urge Congress and the Administration to release more of our natural gas resources for development immediately.
- Thank you for listening.
- Next, I'd like to introduce Dan DiMicco, Chairman and CEO of Nucor Corporation... America's largest steel producer and recycler.

Daniel DiMicco, Chairman & CEO, Nucor Corporation

- Nucor is America's largest steel producer and America's largest recycling company. Affordable electricity and natural gas prices are critical to our recycling-based industry and to good jobs at manufacturing companies across our country.
- Many have said that the era of "cheap energy" is over, particularly for natural gas, given recent price increases. In my industry, price history is the wrong yardstick. Our yardstick is how much our foreign competition is paying now for natural gas!
- In 2005, there were times when Nucor was paying 3-5 times as much for natural gas as some of our foreign competition. Because each dollar increase in natural gas prices costs the American iron and steel industry over \$360 million annually, the natural gas price increases in 2005 cost our industry about \$1 billion. That doesn't include the higher cost of electricity from gas-fired electric generation.

- How do we survive? The steel industry has been strong enough for the past two years to pass through higher energy costs to our customers. That is not sustainable for a cyclical industry that historically is vulnerable to imports.
- Home heating bills have already shocked all Americans this winter. High natural gas prices ultimately hit our employees hard in the wallet twice, in home heating costs and in their paychecks.
- As I previously alluded, these natural gas prices also hit Americans and American industry in a third way – on electricity costs. Where electricity is deregulated, the price is tied to the marginal fuel price, which is often natural gas. This is true even though coal and nuclear power dominate base load electricity generation. For the last several years, almost all newly constructed electric generating capacity has been gas-fired. This trend is projected to continue for at least another five years, but with all the restrictions on access to proven gas reserves, this trend is not sustainable.

- Our over-reliance on natural gas for electric generation has compounded the country's need for more gas supply. The result of our country's poor natural gas stewardship is both higher, and wildly volatile, natural gas prices, and consequently higher electricity prices.
- We have been our own worst enemies on this issue. We, as Americans, were urged to use clean burning natural gas to heat our homes and generate our electricity, thereby increasing demand for gas dramatically (over 27%) but were denied the opportunity to increase the supply here at home or by bringing in liquefied natural gas from overseas. We can't have it both ways. If we want to dictate the use of clean burning natural gas for its environmental benefits, then we must allow for significantly increased drilling in previously restricted areas to bring us both the supply and pricing necessary to not penalize our families and our jobs. This is a must!
- Our recycling processes require less natural gas than some competitors who use blast furnaces, coke ovens and basic

oxygen furnaces to convert virgin raw materials into steel. However, Nucor's recycling process consumes larger amounts of electricity as we convert scrap metal into new steel in our electric arc furnaces. So we care deeply about natural gas prices driving up our electricity prices.

- Now I don't expect our government to guarantee us low natural gas prices. I do expect that our federal government will not withhold natural gas supply that they control. That is what Congress is doing in the Outer Continental Shelf and on Federal lands. Delays in regulatory permits are further limiting new production.
- Congress needs to pass Sen. Domenici's Lease Sale 181 bill, as a first step to opening the many restricted areas for development. Congress also needs to expedite LNG site approvals and the Administration needs to overcome the backlog in the permitting process on onshore lands.
- Now, some say we have a choice between more natural gas supply and more conservation. I disagree. We need both

more gas supply and more efficient use of gas. We also need to fully utilize new and safer technology to generate electricity including alternative energy, clean coal, and nuclear.

- How serious is Nucor about improving efficient uses of natural gas? Well, in 1987 we literally bet the company on trying to perfect an unproven, revolutionary technology called “thin slab casting” that requires only a third of the natural gas normally used to produce sheet steel. Today we operate 4 sheet mills utilizing versions of that energy efficient technology that we pioneered and there are dozens of sheet mills around the world using it. Today we are continuing to revolutionize our industry by pioneering the even more energy efficient Castrip technology. This newer technology produces sheet steel at thicknesses less than a millimeter, using 80% less energy than conventional sheet steel production and eliminating the need for a natural gas-fired reheat furnace. We now are planning a second CASTRIP facility.

- But we will still need gas for decades to come as we continue to innovate and create jobs that pay family-supporting wages to help our country stay strong.
- If innovative American companies like Nucor are to compete globally, to maintain good, high-paying jobs, we need more natural gas supplies and more efficient technology. As the nation's largest recycler, Nucor is doing its part.
- Now Congress and the Administration need to do their part by enacting the Lease 181 bill, loosening OCS restrictions, and providing the resources necessary to cut the backlog in permits.
- This will help with our natural gas bills, our electricity bills, and protect our jobs.
- Next, I'd like to introduce Larry Downes, the Chairman and CEO of New Jersey Resources which distributes energy to customers in New Jersey, along the Gulf Coast and in Canada.

Laurence M. Downes, Chairman & CEO, New Jersey Resources

- As natural gas LDCs (*local distribution company*), we are the face to almost 70 million customers throughout the U.S.
- Which means that we are the ones who get to deliver the bad news every month about the impact of high prices and witness the hardships created by high prices.
- As a result, we are strong advocates for a comprehensive energy policy.
- But there is no single solution.
- What is needed is a multi-faceted strategy that is focused on the environmentally sensitive development of our nation's reserve base, combined with a strong emphasis on conservation and efficiency, and fuel diversity for future electric generation.

- Natural gas currently supplies a quarter of America's energy's needs.
- It is a clean, efficient source of energy.
- Natural gas is primarily "Made in America," so to speak.
- Because more than 80% of the natural gas used here is produced here.
- Five years ago, natural gas cost \$2 to \$3 per million Btu. In the past year alone, prices have reached a record high of more than \$14 per million Btu.
- As a result, our customers now pay substantially more to heat their homes and run their businesses.
- The reality is that demand for energy will continue to grow.

- Over the past several years, we have learned that choosing to do nothing and “let the markets work” is not an energy policy.
- Denying access to critical resources does not allow a free market to work – it guarantees that prices will rise and hardships will continue.
- A National Petroleum Council study from 2003 estimates that not developing additional sources of supply could ultimately cost customers an extra \$300 billion.
- I’m here today because I believe that we are facing an energy crisis of epic proportions and in order to solve it, policy makers must take immediate action.
- As the immediate past chairman of the American Gas Association and CEO of a natural gas local distribution company, I believe we must aggressively face the issue.

- Together, we need to provide our customers with the relief they need.
- We owe them nothing less.
- With that, I'll turn it over to Larry Nichols, the Chairman and CEO of Devon... one of America's largest independent producers of oil and natural gas.

Larry Nichols, Chairman & CEO, Devon Energy

- You may have questions about why we are standing here today talking about the adverse effects of high natural gas prices. I'll tell you why.
- **High natural gas prices destroy demand.** What's happened over the past several months is unsustainable ... for you, residential consumers, for industrial consumers like Nucor... for the American farming and agricultural industry and for us. Why for us? Because consumers cannot continue to pay high natural gas prices making it an unsustainable business for the gas industry.
- In the past five years, prices have increased more than 400 percent, which is far higher than crude oil or gasoline.
- A survey by the Industrial Energy Consumers of America clearly indicates that industrial demand for natural gas was in fact destroyed in 2005 as a result of high prices. And unfortunately, as my colleagues have mentioned this morning, a lot of good American jobs are also being destroyed.

- This is not news that we as producers want to hear.
- More than 30% of the land in the U.S, including the offshore Outer Continental Shelf, is controlled by the Federal Government.
- Of that **30%, only 1½ % of onshore Federal lands are under lease by energy producers or available for lease.**
- Onshore ... Federal lands onshore hold an estimated 622 trillion cubic feet of natural gas (*according to the USGS*).
- **Here's what the Federal government can do. It can eliminate the backlog of over 5,000 pending permits and applications to drill on Federal non-park, non-wilderness lands.**
- **A study done for the Bureau of Land Management in Oct. 2005 indicated that if the BLM could eliminate the**

backlog of 3,100 APDs in just seven of its “pilot” field offices in the next two years:

- **Gas production could increase by 1,000 Bcf per year**
 - **Natural gas reserves would increase by almost 2 Tcf**
 - **Federal government’s royalties would increase by \$2.1 billion**
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- **In the 2005 energy bill, Congress increased BLM’s funding for permit processing. The BLM has hired more people to work on permitting and is making improvements but more can and should be done.**
 - **Although the BLM has recently increased the number of permits it has approved, the backlog is growing. That’s because gas producers are seeking to produce more gas to meet the country’s increased demand for it.**

- **The Administration is proposing that Congress make available an additional \$22 million for BLM oil and gas permitting in the '07 fiscal year**
- **We call on our Federal land management agencies to approve and accelerate the processing of more than 5,000 drilling permits that are currently stuck in the system and that Congress appropriate the money needed to allow it to do that.**
- This is one of the most important actions and the best solutions to immediately increase our country's supply of natural gas. More supply means lower prices for consumers.
- *Consider this. The Postal System has more workers in big cities where there is more mail. BLM deserves the same treatment. Imagine a package sitting for 6 months due to a lack of staff.*

- Our problems are man made by legislation and red tape. We call on Congress and the Administration to fix the problem. The solution is in their hands and within their reach.
- Next I would like to introduce my colleague Jim Hackett, Chairman and CEO of Anadarko Petroleum who is like Devon, an active driller in the U.S. and major producer of natural gas.

Jim Hackett, Chairman, President & CEO, Anadarko

- As Larry said, cleaning up the permitting backlog onshore is a great first step.
- Next step is to look at the constraints offshore where we see a tremendous opportunity to explore for new sources of energy.
- **90% of the Outer Continental Shelf is off-limits to further exploration.** We need access to explore off the coast of **California, the East Coast, the Eastern half of the Gulf of Mexico and the coast of Alaska.**
- Industry has proven that development can take place with little or no environmental impact. Natural gas can, in fact, be produced with only a temporary presence on the land.
- Applaud Senators Domenici and Bingaman for their efforts to open Sale 181... and **call on Congress to follow their lead.**

- Without a doubt, opening up 181 offers the best chance for significant new domestic natural gas production in the next five years. This would be a direct, positive action to increase supply and relieve high prices pressuring American consumers.
- Since the first part of this 181 was opened for lease in 2001, the industry has made 10 discoveries – all natural gas. As a result of these discoveries, about 1 billion cubic feet a day of new natural gas resources will soon be making its way to American consumers in 2007.
- This is a dramatic example of what explorers can do when granted access. **But that's not enough.**
- **There's still huge potential in the untapped acreage that was deleted from the original Lease Sale 181. We need to make these waters available in order to deliver much-needed natural gas supply.**

- **It's interesting to note, when we talk about the original lease sale... we're talking about terms that were agreed to by President Clinton and former Florida Gov. Chiles.**

- **We need to lift the OCS moratoria in other waters and make our coasts available for natural gas exploration and production.**

- Only by exploring will we know the real potential.

- This nation needs an energy development program that is based on realistic, attainable solutions. Today, my colleagues and I have outlined the steps that we believe will help to solve America's natural gas challenge.

- To RECAP our Call to Action:
 - 1. There is no shortage of natural gas in this country.**
 - 2. You've heard from our consumers a simple supply and demand story. We need more supply to bring down prices and improve America's competitiveness.**

3. We call on Congress to speed up the backlog of onshore permitting on Federal non-park lands – a simple solution that can bring dramatic results.

4. Lastly, we need Congress to open up the remaining Sale 181 areas in the Eastern Gulf of Mexico... AND to push to lift the moratoria on the East Coast, West Coast and offshore Alaska.

- Our message to Congress: The solution is in your hands.
- Now, we'd be happy to take your questions.

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