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John Ulrich, Legislative Advocate, Chemical Industry Council of California
Comments before the California Resources Agency
Workshop on LNG Access Issues and Deliverability of Supply
Secretary of State Office Auditorium
1500 11th Street, First Floor, Sacramento
June 1-2, 2005
Re: Docket No. 05-LNG-1

DOCKET
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Good afternoon. My name is John Ulrich. I'm Senior Consultant and Legislative Advocate for the Chemical Industry Council of California. On behalf of CICC, I'm here to voice our strong support for the development of LNG facilities in California.

The Chemical Industry Council of California is a trade association comprised of large and small chemical manufacturers and distributors throughout the state representing 105 facilities, including: 43 manufacturing plants, 5 research laboratories, and 67 sales, service and distribution centers. All of these facilities require reliable and competitively priced energy, or in other words reliable and competitively priced **natural gas**.

The chemical industry uses natural gas as a combustion fuel during chemical operations such, drying, incineration, and process steam generation; natural gas is also a raw material in chemical synthesis and in the near-term will be a driver for the evolving hydrogen economy of the future. Indirectly, the chemical industry is dependent upon natural gas as the premier fuel for generating the electricity needed to power the pumps, compressors, and the process control and security systems which make up today's modern chemical plant.

Federal Reserve Chairman Alan Greenspan recently proclaimed that high oil and natural gas prices have put energy markets under the greatest strain in a generation. Here in California, that strain is quickly becoming acute pain and our members have been feeling it.

A recent report from the California Energy Commission states that California is overly reliant on limited pipeline capacity to transport natural gas into the state. Further, California, the world's tenth largest natural gas consumer, currently produces only 16 percent of the natural gas consumed in the state. Moreover, the state's electric grid operator, the ISO, reports that if California experiences an especially hot summer, we may once again find ourselves without adequate electrical power.

This is extremely disconcerting news for our state's chemical industry and our members who in the past several years have reported tens of millions of dollars in excess energy costs and process disruptions attributable to higher than average natural gas prices and inadequate electrical power.

Building more gas fired electrical power plants solves only part of the problem.....California must also have reliable and competitively priced natural gas.

Fortunately, California can solve its long-term energy supply problems with LNG. California can and should build safe and secure terminal port facilities to receive and deliver LNG. Such ports would make California's most important fuel source reliable and competitively priced, a goal that must be reached soon. Safe and secure in-state storage of LNG is the best recourse for preventing the kinds of price spikes we've seen in recent years.....price spikes that cripple the state's businesses and create economic havoc for residential customers alike. The time to act is now!

Thank you for sponsoring this important workshop and for this opportunity to comment.