

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

40001

2007 SENATE NATURAL RESOURCES

SCR 4001

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SCR 4001

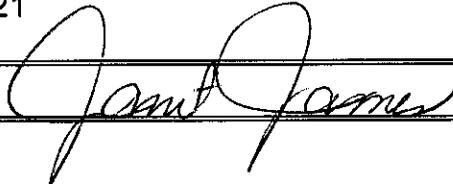
Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: January 11, 2007

Recorder Job Number: # 921

Committee Clerk Signature



Minutes:

Senator Stanley Lyson, Chairman of the Senate Natural Resources Committee brought the committee to order.

Attendance was taken indicating all members of the committee were present.

Senator Lyson opened the hearing on SCR 4001, urging the President and Congress to make the nation's outer continental shelf available for energy development in an environmentally responsible manner.

Senator Tom Seymour from District 5 co-sponsor of SCR 4001 introduced the resolution (See attached testimony and handout # 1.)

Representative Merle Boucher from District 9, co-sponsor of SCR 4001 testified in support of SCR 4001 (See attached testimony #2) and further stated that all are aware of the cost of energy and how the population and economy is growing accordingly. A positive and progressive energy policy at all levels of government is critical and it should be known North Dakota holds the future production of that energy.

Senator Ben Tollefson questioned why the Congress is resistant of development when it is a known fact of the availability of natural gas and oil in the area of the continental shelf.

Representative Boucher responded there has been a lot of legislation and actual regulation involving effects of environmental issues and the country is coming of age in many respects. He stated that the environmental issues are just as important as they have been in years past, and the modern world technologies is moving forward and has addressed the issues. He added there has been a change in the thinking of this issue as the country's needs have increased. He further added that perhaps the issues come to the forefront because they are market driven by the politics of the world.

Ron Ness representing the North Dakota Petroleum Council stated he concurred with all the comments of the previous speakers and encouraged the committee to support SCR 4001.

Senator Constance Triplett asked for clarification of the actions of congress.

Ron Ness responded that there were two bills in Congress this fall and worked with each and the end result was the Senate version restricted exploration off the coast. There were many obstructionists from the coastal states that are not only effective in that area but also in the Rocky Mountains area and even in North Dakota.

There was no further supporting, opposing or neutral testimony on SCR 4001.

Senator Lyson closed the hearing on SCR 4001.

Senator Herbert Urlacher made a motion for a Do Pass of SCR 4001.

Senator Jim Pomeroy second the motion.

Senator Triplett commented that for the record she admitted her ignorance of all the intricacies and the concerns of various places, but if the energy groups and the environmentalists groups cannot agree on law at a congressional level, that SCR 4001 would have little impact.

Senator Layton Freborg asked **Senator Joel Heitkamp**, co-sponsor of the resolution; what is the difference between drilling for oil in the gulf and the ocean.

Senator Heitkamp responded he had a theory that it was the politicians and where they were located. He stated there are some very environmentally conscious US congressmen on the coastal regions that are very powerful. He further stated the energy industry had opportunities to do things right and did not and that has become an advantage for the opponents. He also agreed with Senator Triplett that this resolution will not change policy, although it sends a message that if this exploration can be done in an environmentally safe way; why not talk about the issue.

Senator Urlacher stated that although resolutions to not have a lot of impact in Washington, D.C., they do send a message and therefore have some value.

A roll call vote for a Do Pass of SCR 4001 was taken indicating 7 Yeas, 0 Nays and 0 absent or not voting.

Senator Heitkamp will carry SCR 4001.

Senator Heitkamp further added that North Dakota is trying to stand for a higher standard of renewable energy sources and we would not have to be dependant on foreign oil if we would only develop our own sources as long as we do not ruin the environment.

REPORT OF STANDING COMMITTEE (410)
January 11, 2007 11:04 a.m.

Module No: SR-07-0436
Carrier: Heltkamp
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SCR 4001: Natural Resources Committee (Sen. Lyson, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SCR 4001 was placed on the Eleventh order on the calendar.

2007 HOUSE NATURAL RESOURCES

SCR 4001

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SCR 4001

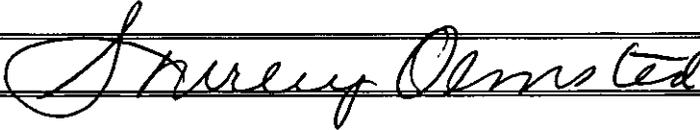
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: February 23, 2007

Recorder Job Number: 3726

Committee Clerk Signature



Minutes:

Chairman Porter opened the hearing on SCR 4001 and asked the clerk to read the title.

Senator Tom Seymour of District #5 came forward as a sponsor of SCR 4001. See attached written testimony marked as Item #1. As you look at your handout you can what areas this resolution addressed. With that idea, we hope you will support this resolution and move it forward. I will stand for any questions.

Representative DeKrey said listening to your figures and your ideas about going off coast sounds pretty good. Would you mind if we amended it to include the arctic wildlife refuge? There is quite a bit of land up there that we could explore and get some energy up there.

Senator Seymour said that they had not looked into that.

Representative Hunskor said when you look at the map and see the part south of Texas near Louisiana and where there is already oil activity going on. Is that the reason that is not in a dark color? Is that the reason that some of it is not open? What is the significance of some of it being open and some of it not being open?

Senator Seymour said that was correct. He does not know the history of this.

Chairman Porter said he remembered seeing something about the coast of Florida where the state stepped in and said no and we are talking to the President in this particular resolution.

Should we be talking to the state of Florida and tell them to shape up too?

Senator Seymour said he was not sure of that. I think the strategy is to have this policy start at the federal level and then maybe make its way to Florida and so on. I am not totally sure of the strategy that should take place.

Chairman Porter said the other question he had was having the wording "environmentally responsible manner". There would be somewhat of an argument that you are saying that somewhere in the past the oil activities have not been environmentally responsible and I would see that as kind of an argumentative type statement.

Senator Seymour said he agreed with him and it was kind of a catch type phrase to say that historically there have been mishaps and so on and now we are really going to have it covered by using the word environmentally. There is some question there.

Chairman Porter asked for further testimony in favor of SCR 4001. Hearing none, he asked for opposition. Hearing none, the hearing on SCR 4001 was closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SCR 4001

House Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 8, 2007

Recorder Job Number: 4632

Committee Clerk Signature *Shirley B. Husted*

Minutes:

Chairman Porter asked the committee to consider SCR 4001.

Representative DeKrey had an amendment to the SCR 4001. He thought it was a good resolution should include the Arctic National Wildlife Refuge since it is already named in another resolution. He made a motion to accept this amendment.

Representative Keiser seconded the motion.

Chairman Porter asked for discussion. Hearing none, he called for a voice vote. The motion prevailed.

Representative DeKrey made a motion for a **do pass as amended on SCR 4001 and to be placed on the consent calendar.**

Representative Keiser seconded the motion.

Chairman Porter asked for discussion. Hearing none he took a voice vote. The motion prevailed.

Representative DeKrey will carry this to the floor.

**House Amendments to SCR4001 (73036.0101) - Natural Resources Committee
03/09/2007**

Page 1, line 1, replace "nation's outer" with "entire nation"

Page 1, line 2, remove "continental shelf" and remove "in an environmentally responsible manner"

Page 1, after line 2, insert:

"WHEREAS, the oil and gas industry has demonstrated that onshore and offshore oil and natural gas resources can be developed in an environmentally responsible manner; and"

**House Amendments to SCR4001 (73036.0101) - Natural Resources Committee
03/09/2007**

Page 2, after line 30, insert:

"WHEREAS, the Arctic National Wildlife Refuge has shown great potential for oil and natural gas production; and"

**House Amendments to SCR4001 (73036.0101) - Natural Resources Committee
03/09/2007**

Page 3, line 2, after "coasts" insert "and in the Arctic National Wildlife Refuge"

Page 3, line 8, replace "nation's outer continental shelf" with "entire nation" and remove "in"

Page 3, line 9, remove "an environmentally responsible manner"

Renumber accordingly

Date: 3-8-07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HR 400

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Move Amendment

Motion Made By Rep DeKrey Seconded By Rep Keiser

Representatives	Yes	No	Representatives	Yes	No
Chairman - Rep. Porter			Rep. Hanson		
Vice-Chairman - Rep Damschen			Rep. Hunsakor		
Rep. Charging			Rep. Keish		
Rep. Clark			Rep. Meyer		
Rep. DeKrey			Rep. Solberg		
Rep. Drovdal					
Rep. Hofstad					
Rep. Keiser					
Rep. Nottestad					

Total Yes 13 No 1 Solberg

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

None

Date: 3-8-07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SCR 4001

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken To pass as Amended

Motion Made By Rep DeKrey Seconded By Rep Keiser

Representatives	Yes	No	Representatives	Yes	No
Chairman - Rep. Porter			Rep. Hanson		
Vice-Chairman - Rep Damschen			Rep. Hunskor		
Rep. Charging			Rep. Kelsh		
Rep. Clark			Rep. Meyer		
Rep. DeKrey			Rep. Solberg		
Rep. Drovdal					
Rep. Hofstad					
Rep. Keiser					
Rep. Nottestad					

Total Yes _____ No 1 Harwood

Absent _____

Floor Assignment Rep DeKrey (per Chair)

If the vote is on an amendment, briefly indicate intent:

Noice Consent
Calendar

REPORT OF STANDING COMMITTEE

SCR 4001: Natural Resources Committee (Rep. Porter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SCR 4001 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "nation's outer" with "entire nation"

Page 1, line 2, remove "continental shelf" and remove "in an environmentally responsible manner"

Page 1, after line 2, insert:

"WHEREAS, the oil and gas industry has demonstrated that onshore and offshore oil and natural gas resources can be developed in an environmentally responsible manner; and"

Page 2, after line 30, insert:

"WHEREAS, the Arctic National Wildlife Refuge has shown great potential for oil and natural gas production; and"

Page 3, line 2, after "coasts" insert "and in the Arctic National Wildlife Refuge"

Page 3, line 8, replace "nation's outer continental shelf" with "entire nation" and remove "in"

Page 3, line 9, remove "an environmentally responsible manner"

Renumber accordingly

2007 SENATE NATURAL RESOURCES

CONFERENCE COMMITTEE

SCR 4001

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SCR 4001

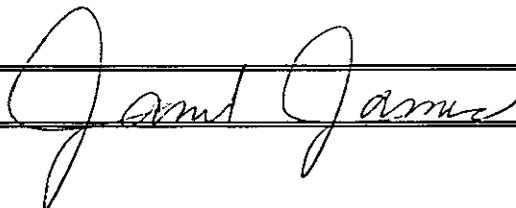
Senate Natural Resources Committee

XX Check here for Conference Committee

Hearing Date: March 29-07

Recorder Job Number: # 5616

Committee Clerk Signature

A handwritten signature in cursive script, appearing to read "James James", is written over a horizontal line that serves as a signature box.

Minutes:

Senator Ben Tollefson, Vice Chairman of the Senate Natural Resources Committee opened the conference committee on SCR 4001.

Committee members Senator Herbert Urlacher, Senator Constance Triplett, Representative David Drovdal were present. Representative Duane DeKrey, and Representative Scot Kelsh were absent.

Due to the lack of quorum the conference committee will be rescheduled fro another time.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SCR 4001

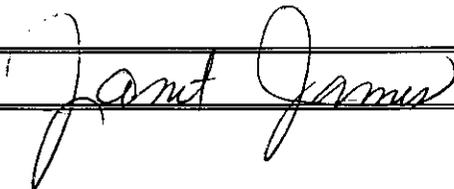
Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: April 3, 2007

Recorder Job Number: # 5689

Committee Clerk Signature



Minutes:

Senator Ben Tollefson Vice Chairman of the Senate Natural Resources Committee opened the conference committee on SCR 4001.

All members of the conference committee were present to include Senator Herbert Urlacher, Senator Constance Triplett, Representative Duane DeKrey, Representative Dave Drovdal, and Representative Scot Kelsh.

Senator Ben Tollefson: the amended bill is a major change from the original bill and asked for an explanation of the amendments.

Representative Duane DeKrey: basically what we did was - we felt the resolution showed that we have a lack of energy in this country and we need to make every option available to do that. So we felt we should find oil where ever we could within our boarders. So we thought this was a reasonably expansion of the resolution to add oil drilling to the resolution.

Senator Ben Tollefson: and added ANWR as well.

Representative DeKrey: agreed.

Senator Constance Triplett: does removing the phrase "environmentally responsible manner" imply that you want the country to trash all the country's environmental rules to accomplish your objective.

We added that in.

Senator Triplett: page 3 line 9, removes "an environmentally responsible manner". Three different places you pull that language out.

Representative DeKrey: we put in Page 1 after line 2.

Senator Triplett: would you be willing to put it back in again. Because if you pull it out it gives the message that you don't think it is important.

Representative Dave Drovdal: on page 1, line 2, it is inserted in there, but the intend was to never weaken that and if it makes you feel better we can put it back into the other two places.

Senator Triplett: that would make me feel better.

Representative DeKrey made a motion to further amend SCR 4001.

Senator Herbert Urlacher second the motion.

Senator Triplett: is in favor of increasing oil development in the county but only to the extent it can be done environmentally appropriate.

Roll call vote #1 for the house to recede to their amendments and further amend SCR 4001 was taken indicating 6 Yeas, 0 Nays and 0 absent or not voting.

Representative Scot Kelsh: he did not support the addition of ANWR to the resolution because there already was a resolution to Congress to open ANWR and it did not get anywhere in the last Congress and will not get anywhere with this Congress. It is kind of a mute point to even talk about it. It is a fragile area too.

Senator Herbert Urlacher: I think they can develop there on a limited seasonal basis.

Representative Drovdal; when you put the phrase "environmentally responsible manner" you make a valid statement so that ANWS can be developed in a that sort of manner. As far as whether this will have a major effect, I haven't seen any resolution that has had much of an affect.

Representative Kelsh made a motion to amend by removing ANWR from SCR 4001.

Senator Triplett second the motion.

Roll call vote # 2 to amend SCR 4001 by removing ANWR was taken indicating 3 Yeas, 3 Nays and 0 absent or not voting. The motion failed due to lack of two Yeas from each house.

Representative Drovdal made a motion to approve SCR 4001 as amended.

Representative DeKrey second the motion.

Roll call vote #3 to approve SCR 4001 as amended was taken indicating 4 Yeas, 2 Nays and 0 absent or not voting.

Senator Ben Tollefson closed the conference committee on SCR 4001.

Date: 4-3-07
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SCR 4001

Senate Natural Resources 4001

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken a motion for the House to recede to the H Amendment

Motion Made By DeKey Seconded By Urlacher

Senators	Yes	No	Senators	Yes	No
Senator Ben Tollefson	✓		Rep. Duane DeKrey	✓	
Senator Herbert Urlacher	✓		Rep. David Drovdal	✓	
Senator Constance Triplett	✓		Rep. Scott Kelsh	✓	

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

REPORT OF CONFERENCE COMMITTEE

SCR 4001: Your conference committee (Sens. Tollefson, Urlacher, Triplett and Reps. DeKrey, Drovdal, S. Kelsh) recommends that the **HOUSE RECEDE** from the House amendments on SJ page 898, adopt amendments as follows, and place SCR 4001 on the Seventh order:

That the House recede from its amendments as printed on page 898 of the Senate Journal and pages 960 and 961 of the House Journal and that Senate Concurrent Resolution No. 4001 be amended as follows:

Page 1, line 1, replace "nation's outer" with "entire nation"

Page 1, line 2, remove "continental shelf"

Page 1, after line 2, insert:

"WHEREAS, the oil and gas industry has demonstrated that onshore and offshore oil and natural gas resources can be developed in an environmentally responsible manner; and"

Page 2, after line 30, insert:

"WHEREAS, the Arctic National Wildlife Refuge has shown great potential for oil and natural gas production; and"

Page 3, line 2, after "coasts" insert "and in the Arctic National Wildlife Refuge"

Page 3, line 8, replace "nation's outer continental shelf" with "entire nation"

Renumber accordingly

SCR 4001 was placed on the Seventh order of business on the calendar.

2007 TESTIMONY

SCR 4001

**Energy Testimony
Senate Concurrent Resolution NO. 4001
Senate Natural Resources Committee
Honorable Stan Lyson, Chairman
January 11 – 9:00am – Fort Lincoln Room**

Chairman Lyson, and members of the Senate Natural Resources Committee, I am Tom Seymour, a state Senator from District 5 in Minot.

Today, energy prices are on the rise across the nation. This affects individual citizens, industrial consumers, and the agricultural industry. But why is this so?

It all comes back to supply and demand. As the economy has grown the demand for energy has grown every year. At the same time, however policymakers have refused to make any changes to increase available supplies of energy. For example, over 80% of the nation's oil and gas resources on the Outer Continental Shelf are completely off-limits to exploration and production, despite a decades-long record of safe offshore production in the Central and Western Gulf of Mexico.

What can be done? Energy consuming states must make themselves heard and push for changes to policies like this that limit energy supply. This is the key to long-term strategies to control prices and maintain economic growth and employment at home.

As of April 2006, North Dakota was home to more than 26,100 manufacturing jobs, paying employees an average of \$42,760 per year, 44% higher than the average wage and salary for the state. Chemical, plastics and rubber manufacturing – which depend on natural gas as a critical input – accounted for more than \$52 million of North Dakota's exports in 2005. Unfortunately, these jobs are in jeopardy due to the high prices of natural gas.

Approximately 2 percent of North Dakota is forested, accounting for 7.7 million acres of the state's land area. North Dakota's forest products industry is a vital component of the state's economy, employing 2,000 workers with an annual payroll of over \$51 million. North Dakota's paper and wood manufacturing workforce represents 5.8 percent of the state's manufacturing workforce, however these jobs are also in jeopardy due to the high price of natural gas.

To increase energy let's provide access to the Outer Continental Shelf (OCS) for exploration and development of the nation's valuable offshore energy resources in an environmentally responsible manner. Over 80 percent of all federally controlled coastal waters are currently off-limits to energy exploration and production, yet the OCS is conservatively estimated to hold over 419 trillion cubic feet of

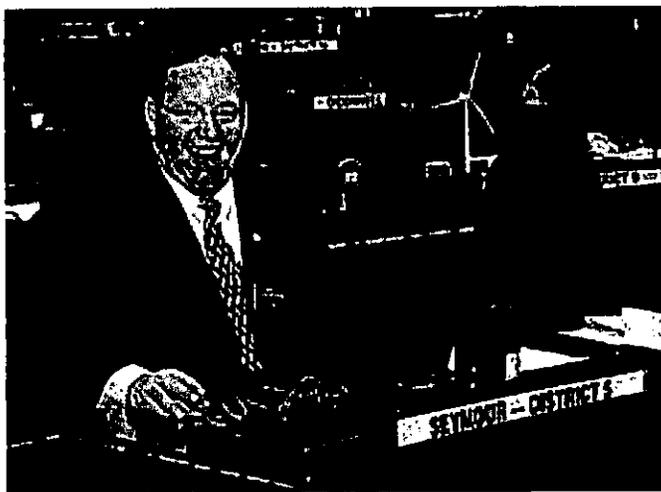
technically recoverable natural gas resources and 86 billion barrels of oil. This enough: natural gas to heat 100 million homes for 60 years, oil to drive 85 million cars for 35 years, and oil to replace current Persian Gulf imports for 59 years.

Offshore drilling is safe: Less than 1% of oil found in the ocean comes from offshore production, significantly less than results from natural geologic seeps and run-off from land-based sources.

Give Senate Concurrent Resolution No. 4001 a do pass.

Thanks for your time and consideration.

Source: National Ocean Industries Association – www.noia.org





**NATIONAL
OCEAN
INDUSTRIES
ASSOCIATION**

ENERGY CHALLENGES FOR NORTH DAKOTA AND THE NATION

NOIA'S MISSION IS TO SECURE RELIABLE ACCESS TO THE NATION'S VALUABLE OFFSHORE ENERGY RESOURCES IN ORDER THAT THEY MAY BE DEVELOPED, PRODUCED AND SUPPLIED IN AN ENVIRONMENTALLY RESPONSIBLE MANNER.

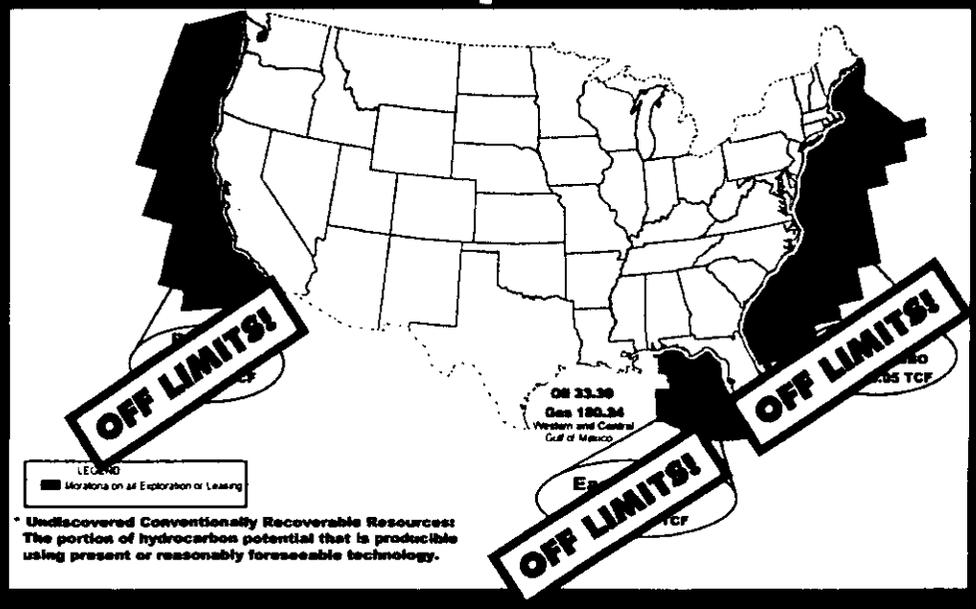
Today, energy prices are on the rise across the nation. This affects individual citizens, industrial consumers, and the agricultural industry. But why is this so?

It all comes back to supply and demand. As the economy has grown, the demand for energy has grown every year. At the same time, however, policymakers have refused to make any changes to increase available supplies of energy. For example, over 80% of the nation's oil and natural gas resources on the Outer Continental Shelf is completely off-limits to exploration and production, despite a decades-long record of safe offshore production in the Central and Western Gulf of Mexico.

What can be done? Energy consuming states must make themselves heard and push for changes to policies like this that limit energy supply. This is key to long-term strategies to control prices and maintain economic growth and employment at home.



Less than 19% of OCS is Open to Development



ENERGY PRICES: A NATIONAL PERSPECTIVE

- In the last 25 years, our energy consumption has grown by 30 percent, while supply only increased at half that rate. In just the past decade, as our economy grew, energy consumption increased by more than 12 percent. But our domestic production increased by less than one-half of 1 percent.
- Between now and 2030 – just less than 25 years from now – we will need 55 percent more electricity than we generate today and consumption of all sources of energy are expected to increase:
 - o *Petroleum by 41 percent*
 - o *Natural gas by 33 percent*
 - o *Coal by 41 percent*
 - o *Renewable energy by 39 percent*
- The Energy Information Administration predicted on Jan. 11 that the average U.S. home heating bill in 2006 will increase by \$257, or 35 percent, for natural-gas heat; \$275, or 23 percent, for oil heat; and \$184, or 17 percent, for propane heat.
- The price of U.S. natural gas has hit peaks recently of about \$15/million btu's, the rough equivalent of paying \$7 a gallon for gasoline.
 - o *This is more than double what they pay in China, and 50 percent higher than prices in the United Kingdom. The U.S. price is 20 times what Saudi Arabians pay.*
- High energy prices, particularly for natural gas, have cost the economy 2.8 million jobs since 2000.
- More than 100,000 lost jobs in the chemical industry, and the closure of 70 chemical facilities in 2004 alone, have resulted from high prices of natural gas.
- During the 2003 and 2004 growing seasons, farmers paid more than \$6 billion in added energy-related expenses, a 41% increase over 2004, according to USDA's Economic Research Service.

NORTH DAKOTA ENERGY CONSUMPTION AND ITS ECONOMIC IMPACT:

- In 2002 North Dakota spent more than \$2 billion on energy expenditures, including coal, natural gas, petroleum, and electric power.
- North Dakota ranked 43rd nationally in total energy consumption, consuming 407 trillion British thermal units (Btu). In 2001, North Dakota ranked 45th in the nation for residential consumption, 46th for commercial, 38th for industrial, and 46th for transportation.
- North Dakota's energy consumption increased by 184 trillion Btu between 1980 and 2001, representing an average annual increase of 2.9 percent.
- In 2001, the state ranked 4th in the nation for energy consumption per person, with each person using 640 million Btu.
- The primary sources of electric power in North Dakota are as follows: coal – 96 percent; hydroelectric – less than 4 percent; and, petroleum – less than 1 percent.
- North Dakota electricity consumption increased by 4,633 million kilowatt-hours (kWh) between 1980 and 2001, representing an annual average increase of 3.1 percent.
- North Dakota is rich in fossil fuel resources, producing oil, natural gas and coal. Today, there are 17 counties in the state with commercial oil production. North Dakota is the 9th largest oil producing state. The state produced nearly 98,000 barrels of oil per day in 2005, totaling 35.6 million barrels for the year, up 4.5 million barrels from 2004. The state has 389 million barrels of crude oil proved reserves, accounting for more than 2 percent of U.S. crude oil proved reserves.
- The petroleum industry in North Dakota employed approximately 12,900 people in 2005.
- In 2005, North Dakota's natural gas production was 58.1 billion cubic feet (Bcf) while more than 50 Bcf of natural gas was processed in the state. The nine natural gas processing plants processed enough gas in 2005 to heat 447,000 households for one year.
- The state has one petroleum refinery and has a daily capacity of about 60,000 barrels.
- North Dakota's used over 360 million gallons of gasoline in 2005, and just over 481 million gallons of diesel fuel.
- In 2004, North Dakota had four coal mines producing 29.9 million tons of coal. The state was also the first in the nation to have a coal-gasification plant.
- According to Pacific Northwest Laboratory, North Dakota ranks 1st in the nation for the state with the most wind energy resources, more than 1,210 billion kWh.

(Data is drawn from the Department of Energy-Energy Information Administration and the U.S. Census Bureau)



INCREASING ENERGY PRICES HURT MANUFACTURING INDUSTRIES, IMPERILING NORTH DAKOTA JOBS:

- As of April 2006, North Dakota was home to more than 26,100 manufacturing jobs, paying employees an average of \$42,760 per year, 44% higher than the average wage and salary for the state. Chemical, plastics and rubber manufacturing – which depend on natural gas as a critical input – accounted for more than \$52 million of North Dakota's exports in 2005. Unfortunately, these jobs are in jeopardy due to the high price of natural gas.
- Approximately 2 percent of North Dakota is forested, accounting for 7.7 million acres of state's land area. North Dakota's forest products industry is a vital component of the state's economy, employing 2,000 workers with an annual payroll of over \$51 million. North Dakota's paper and wood manufacturing workforce represents 5.8 percent of the state's total manufacturing workforce, however, these jobs are also in jeopardy due to the high price of natural gas. Nationally, more than 232 mills have closed and 182,000 jobs have been lost (12 percent of the industry's national employment) since 2000 when energy prices started to rise.
- Today, energy is the third largest manufacturing cost for the forest products industry (18 percent for pulp and paper mills), growing quickly enough to eclipse employee compensation.



INCREASING ENERGY PRICES INDIVIDUAL BUSINESSES, SCHOOLS AND CONSUMERS:

- For the fourth consecutive month, North Dakota's July 2006 Business Condition Index declined: to 57.0 from 62.7 in June and 63.3 in May. Components of the overall index: new orders at 54.5, production at 54.3, delivery lead time at 77.3, employment at 54.5 and inventories at 45.0. Energy prices troubled some businesses. A supply manager commented "deliveries are taking longer as prices escalate on chemicals, welding gases and steel and are up some on remaining commodities."
- In November 2005, North Dakota Governor John Hoeven outlined a series of measures to help North Dakota families and schools address high energy costs, including maintaining direct assistance for home heating fuel purchases, energy efficiency assistance, and low interest loans for schools facing high energy and transportation costs due to the increased cost of fuel.
- In December 2005, the Killdeer School District in western North Dakota considered going to a four-day school week, triggered in part by higher fuel costs.
- About 43 percent of the homes in North Dakota are heated with natural gas, followed by 29 percent by electricity.
- Over half of North Dakota's residents energy bills go to home heating, bills that are only getting bigger. The average energy bill for North Dakota homes heated using natural gas will increase by about \$465 in 2006. Homes heated with heating oil will go up by about \$320. Propane-heated homes will rise by about \$240, while electric heating costs will increase by about \$85.



- In 2005, an estimated 15,800 households throughout North Dakota received more than \$17.2 million in Low Income Home Energy Assistance (LIHEAP) funding to help pay their heating and cooling bills.
- North Dakota gasoline prices are currently around 30 percent higher than one year ago. At today's prices, North Dakota households pay about \$3,100 annually for gasoline.

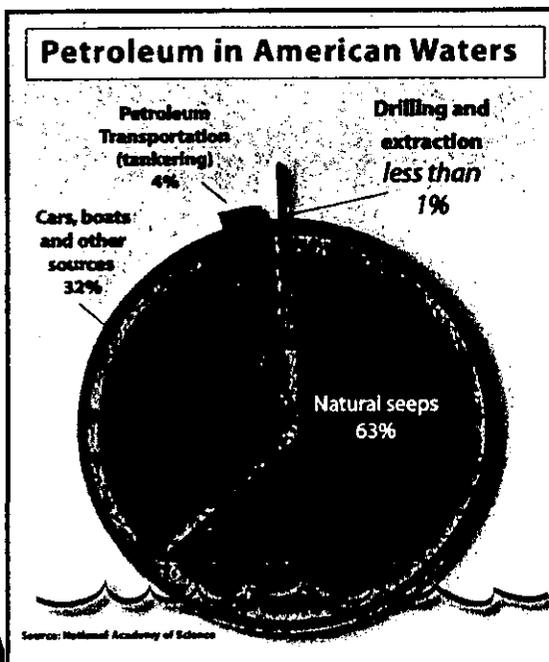
**INCREASING ENERGY PRICES SQUEEZE FARMERS AND AGRICULTURAL INDUSTRIES:**

- North Dakota is home to more than 30,300 farms and ranches, covering more than 39.4 million acres of farmland with cash receipts in 2004 totaling more than \$4 billion from the sale of all agricultural commodities. Agriculture is North Dakota's number-one industry. North Dakota farmers and ranchers produce enough beef to make 113 million hamburgers, enough wheat for 14.3 billion loaves of bread, and enough durum wheat for 13.7 billion servings of spaghetti. Along with ag-related businesses, agriculture makes up 37% of the state's economy.
- North Dakota is the largest spring wheat producing state in the nation and accounts for approximately \$750 million or 21 percent of the state's total cash receipts. Unfortunately, because of the high price of energy, fertilizer costs have gone up by double digits, and for the first time since the Great Depression, a gallon of diesel fuel is more expensive than a bushel of wheat. For wheat farmers, this dramatic rise in prices is especially acute because more than half the variable cost associated with growing it comes from fuel and fertilizer. In 2006, it will cost 24 to 27 percent more to grow wheat than in 2005.
- Cattle and calves was the state's second largest commodity, with 15.6 percent of the total cash receipts. Increasing energy costs – in the form of higher prices for transportation, electricity and related costs in the feed and ingredient processing industries – result in dramatic changes in the feed and cattle industries. Furthermore, corn, the most popular feed grain, requires large amounts of nitrogen fertilizer and irrigation water which are both sensitive to energy costs.
- According to North Dakota State University, the impact of higher energy prices on North Dakota producers will substantially reduce net farm income. Net farm income for the state was estimated in May 2005 at \$26,293. By August 2005, the estimated net farm income was \$6,387, a decrease of \$19,906 due to increased fuel and fertilizer expenses. In 2004, the state's average fuel expense was 7.3 percent, but by August 2005, that had increased to 12.9 percent. The fertilizer expense share increased 5.9 percent for the state.
- In 2004, North Dakota farmers consumed more than 855 thousand tons of fertilizer and plant nutrients throughout the state.
- From 2001 to 2006, the price of diesel fuel increased 113 percent, thus impacting farm machinery costs.

A PLAN OF ACTION:

What can be done to increase energy supplies?

- Call on Congress and the Administration to cultivate a plentiful, diverse and affordable energy supply for America.
- Pursue renewable technologies such as offshore wind and tidal power and the development of offshore methane hydrates.
- Promote energy conservation and greater efficiency.
- Increase refining capacity and import facilities.
- Provide access to the Outer Continental Shelf (OCS) for exploration and development of the nation's valuable offshore energy resources in an environmentally responsible manner. Over 80 percent of all federally controlled coastal waters are currently off-limits to energy exploration and production, yet the OCS is conservatively estimated to hold over 419 trillion cubic feet of technically recoverable natural gas resources and 86 billion barrels of oil. This is enough:
 - natural gas to heat 100 million homes for 60 years.
 - oil to drive 85 million cars for 35 years.
 - oil to replace current Persian Gulf imports for 59 years.



Offshore drilling is safe: Less than 1% of oil found in the ocean comes from offshore production, significantly less than results from natural geologic seeps and run-off from land-based sources

SENATE CONCURRENT RESOLUTION 4001

SENATOR LYSON, CHAIR
PRESENTED BY REPRESENTATIVE MERLE BOUCHER

All of us are growing more aware each day of our consumer and commercial energy needs.

The United States population is steadily growing and our nation's energy needs continue to grow accordingly. National energy independence should be one of this country's primary goals at all levels of government.

SCR 4001 is a message in support of our doing what is necessary to facilitate forward movement with our national energy independence plans.

Thank you, Mr. Chairman and members of the Committee. I ask that you give careful consideration in support of SCR 4001.

Respectfully,

Merle Boucher, Minority leader
North Dakota House of Representatives

Item # 1

Natural Resources Committee
9:00 Pioneer Room
Senate Concurrent Resolution NO. 4001

Mr. Chairman and Committee Members

This is a concurrent resolution urging the President and Congress to make the nation's outer continental shelf available for energy development in an environmentally responsible manner.

Development of oil and natural gas resources, where allowed offshore, has coexisted for decades with recreational and commercial activities while benefiting the entire nation.

America's increased dependence on foreign energy supplies and global competition for oil and natural gas creates a threat to our national security.

United States energy use is growing twice as fast as United States energy production, as a result natural gas prices have increased 140 percent and oil prices have increased 107 percent since 2000.

The Department of Energy forecasts the annual average price for natural gas will rise 10 percent in 2007.

Rising energy costs are taking a toll on families throughout the nation; according to the National Energy Assistance Directors Association, 32 percent of families had to sacrifice medical care, 24 percent of families failed to make their rent or mortgage payment, 20 percent of families were without food for a least a day, and 44 percent of families skipped paying or only partially paid their home energy bill in the past year.

Applications for the low-income home energy assistance program in 2006 reached almost 5.8 million households last year, the highest level in the last 13 years, with applications up an average of 12 percent, while nine states reported increases of at least 25 percent.