
U.S. Manufacturing's Major Energy Cost Advantage And It's Not Oil

***“Cheap Global Oil will come.
And cheap Global Oil will go.
But Cheap U.S. Electricity and Natural Gas will live on forever.”***

[With apologies to Ray Davies of The Kinks]

All the bandwidth and oxygen in the global media cycle these days is being sucked up by the major decline in global oil prices, and the commensurate decline in the price of gasoline. That is wonderful for as long as it lasts. And I confess to having been as drawn to the story as anyone. But as the opening attempt at borrowing from Ray Davies seeks to convey, oil prices go down and oil prices go up. Not only can you not count on them benefitting U.S. Manufacturing for the long-term. But they impact all manufactures anywhere on the global in the same way. They do not alter the manufacturing competitive advantage dynamics between geographies.

But the major current and long-term story for U.S. manufacturing is that industrial electricity and natural gas in the United States is only one third to one half as costly as in Europe and Asia-Pacific. That creates a direct major competitive cost advantage for the most energy cost intensive sub-sectors of U.S. Manufacturing. And a meaningful indirect benefit to all other sectors that in turn purchase primary and intermediate products from those U.S. Manufacturing sub-sectors.

And true, the fact that there a U.S. energy cost advantage for its manufacturers is not a secret. It is mentioned in a single sentence here and there but rarely in any detail. And I have not seen anyone explicitly calculate and publicize just how significant it is.

The five sub-sectors that enjoy the most direct benefit are:

- Primary Metal Manufacturers – Iron, Steel, Aluminum, and all other.
- Chemical Product Manufacturers [including plastics]
- Nonmetallic Mineral Product Manufacturers – Glass, Ceramics, etc.
- Paper Product Manufacturers [including paperboard, corrugated cardboard, etc.]
- Textile Mill Manufacturers – Fabrics of all kinds both natural and synthetic

And that significant U.S. cost advantage is 3 to 4 cents per sales dollar for electricity and natural gas combined versus European Manufacturers and 5 to 6 cents per sales dollar for electricity and natural gas combined versus Asia-Pacific Manufacturers [depending upon which of the 5 sub-sectors and ranges within the sub-sectors].

That energy cost advantage is further validated by the meaningful increase in U.S. Exports over the past 10-years for these same 5 sub-sectors. Nothing validates a sector's competitive advantage like increasing exports.

Stop and think about the significance of those numbers.....

Think of how hard you work to reduce costs that will even have an impact of one tenth of one percent on the final competitiveness of the end products that you produce.

Yet simply by manufacturing in the United States, you start the day with 3 to 6 cents per sales dollar of competitive advantage already a given.

And simply by manufacturing in Europe or Asia-Pacific, you start each day with you start the day with 3 to 6 cents per sales dollar of energy cost disadvantage that you have to make up for in other ways. And many of those other ways may be less advantageous than when you first located there.

And the best part is that this U.S. energy competitive advantage is here to stay for at least the next 20 years or longer. Because it is all fully within the available resources and control of the United States.

To learn all of what you need to know in order to fully maximize the U.S. competitive energy advantages of your specific sub-sector, or the specific subsectors that you purchase from, these reports contain the very detailed energy cost competitive advantage data, analysis, information, and insights that you will need:

Primary Metal Manufacturers: <http://www.shop.jtgabrielsenconsulting.com/The-US-Energy-Cost-Advantage-for-US-PRIMARY-METAL-Manufacturers-3030914-1.htm>

Chemical Product Manufacturers: <http://www.shop.jtgabrielsenconsulting.com/The-US-Energy-Cost-Advantage-for-US-CHEMICAL-PRODUCT-Mfgs-3060914-1.htm>

Nonmetallic Mineral Product Manufacturers:
<http://www.shop.jtgabrielsenconsulting.com/The-US-Energy-Cost-Advantage-for-US-NONMETALLIC-MINERAL-PROD-Mfg-3070914-1.htm>

Paper Product Manufacturers: <http://www.shop.jtgabrielsenconsulting.com/The-US-Energy-Cost-Advantage-for-US-PAPER-PRODUCT-Manufacturers-3080914-1.htm>

Textile Mill Manufacturers: <http://www.shop.jtgabrielsenconsulting.com/The-US-Energy-Cost-Advantage-for-US-TEXTILE-MILL-Manufacturers-3090914-1.htm>

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