

# AMERICAN MATERIALS MANUFACTURING ALLIANCE

July 15, 2009

The Honorable Sheldon Whitehouse  
Committee on Environment and Public Works  
502 Hart Senate Office Building  
Washington, DC 20510-3904

Dear Senator Whitehouse:

We commend the committee for holding a hearing on competitiveness and climate policy. We are writing to highlight outstanding issues within the House-passed American Clean Energy and Security Act (ACES), as they relate to energy intensive and trade-exposed industries.

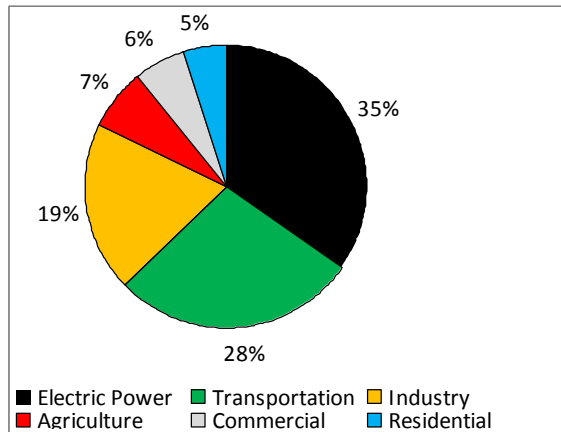
The allowance provisions in HR 2454 for energy-intensive, trade exposed industries are an important step in helping American manufacturers and their workers remain globally competitive. However, these provisions [as currently amended] are insufficient in addressing that goal. First, the current language only addresses compliance costs associated with emissions, which are only part of the additional costs that energy intensive manufacturers will bear [increased energy costs being the other] as a consequence of this legislation. Within the context of emissions costs, that language limits emissions allowances to 13.5 percent of the available pool for most of the program. Earlier proposals allocated 15 percent of allowances to industries vulnerable to foreign competition. That seemingly minor difference actually amounts to hundreds of millions of allowances valued at billions of dollars over the life of the program. The final bill should restore the 15 percent allocation and extend that allocation to 2030 to allow for the adoption of new low-GHG emitting technologies that are currently unavailable.

Additional provisions need to be added to deal with the increased cost of energy that American manufacturers will face, for example to pay for deployment of new generation and transmission capacity for renewable electricity. Such increased costs will be incurred by domestic manufacturers and will not impact foreign competitors in regions where weaker or non-existent policies have no energy cost impact. Domestic legislation needs to address potentially large increases in the cost of electricity, natural gas, biomass and coal. Where such fuels also serve as raw materials in the manufacturing process, the cost impacts are even more severe.

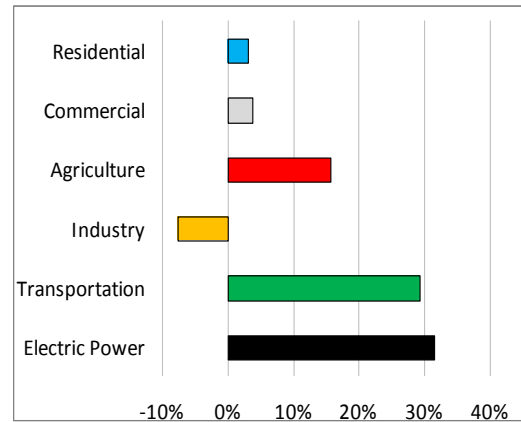
Other improvements in the bill would properly incentivize combined heat and power technology and would provide alternate allocation methods for sectors that do not fit neatly into NAICS code categories for distribution of allowances. The structure of the current bill actually creates disincentives for combined heat and power and integrated production processes, and may cause facilities to disaggregate these highly efficient processes, which would result in more, not fewer, greenhouse gas emissions. Our coalition has prepared legislative language for each of these concerns.

Make no mistake, our industries support policies to reduce greenhouse gas emissions. We are the one sector of the US economy that has already achieved substantial reduction in this area, and the products and materials we make help the rest of the American economy become more energy efficient and reduce greenhouse gas emissions. In short, we are part of the solution.

Gross GHG Emissions by Sector, 2007



1990-07 Growth in GHG Emissions by Sector



Source: EPA, *Inventory of Greenhouse Gas Emissions and Sinks, 2007 (Draft)*

The American Materials Manufacturing Alliance promotes sound public policy that allows us to help lead the nation's economic recovery. We oppose the enactment of new laws that will force energy-intensive materials producers to shed more jobs and further reduce economic output, leading to increased GHG emissions overseas and reducing our ability to help finance the development and implementation of new, breakthrough technologies that will help us reach our energy and climate change goals. To contribute solutions to climate change we must be able to successfully operate our US manufacturing facilities and continue to directly and indirectly employ millions of Americans in well-paying jobs. As written, HR 2454 will make it exceedingly difficult to achieve those objectives.

Thank you for considering our views on HR 2454. Improving the bill as noted will help us support its passage.

Sincerely,

Aluminum Association  
American Chemistry Council  
American Forest & Paper Association  
American Iron and Steel Institute