Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

1776 K Street, NW, Suite 720 • Washington, D.C. 20006
Telephone (202) 223-1420 • www.ieca-us.org

March 17, 2021

The Honorable Frank Pallone, Jr.
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Honorable Paul Tonko
Chairman
Subcommittee on Environment and Climate Change
U.S. House of Representatives
Washington, DC 20515

The Honorable Cathy McMorris Rodgers
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Honorable David McKinley
Ranking Member
Subcommittee on Environment and Climate Change
U.S. House of Representatives
Washington, DC 20515

Re: Comments for the Record on H.R. 1512, The CLEAN Future Act, Title V, Industry; Title VIII, Economy-wide Policies

Dear Chairmen Pallone and Tonko and Ranking Members McMorris Rodgers and McKinley:

On behalf of the Industrial Energy Consumers of America (IECA), we thank you for holding this important hearing. IECA companies are 100 percent manufacturing companies. The majority are energy-intensive trade-exposed (EITE) companies. The U.S. industrial sector is a significant climate and middle-class jobs success story. According to the U.S. Energy Information Administration (EIA) from 1990 to 2019, the industrial sector reduced energy intensity by 54 percent, while increasing gross output by 359 percent. Absolute GHG emissions were reduced by 16 percent, more than any sector of the U.S. economy. There are 13 million manufacturing workers, accounting for 8.4 percent of the entire workforce that pay family sustaining wages and benefits that average over $88,000 per year. There is no sector of the U.S. economy that is more able to contribute to middle class job creation.

EXECUTIVE SUMMARY

Title V, Section 504, Clean Energy Manufacturing Grant Program is very positive and supports investing in the domestic production of clean products. It will create jobs and investments. Today, most of the clean products are imported and many are energy-intensive. To manufacture these clean products will increase use of energy by our sector. By doing so, we are reducing global GHG emissions because the U.S. manufacturing sector has a carbon intensity of about one-third that of China. Section 504 will result in increased GHG emissions for our sector and conflicts with our ability to comply with Title VIII State Implementation Plans.

Title VIII, Subtitle B, Clean Energy and Sustainability Accelerator has merit for clean energy products and technologies that are "commercially available," but not for product process technologies that are desperately needed to decarbonize EITE industries. The manufacturing sector would not have equal access to these funds. We note that under (b) Environmental Justice Prioritization (on page 758) that "the Accelerator shall, as applicable, prioritize the provision of program benefits and investment activity that are expected to directly and indirectly result in the deployment of projects to serve, as a matter of official policy, climate-impacted communities."

We support the concept behind **Title V Subtitle C-Federal Buy Clean Program,** but not as currently designed. The program mirrors the California program. We are happy to work with you to construct a program that will receive wide support by EITE manufacturing companies.

Title VIII, "Regulations of GHG emissions for facilities of 25,000 tons of CO2 per year" is inconsistent with the goal to grow manufacturing jobs, strengthen the U.S. supply chain, and compete and win against China and other countries. EITE industries do not have the product process technology to decarbonize, nor do we have a low carbon alternative to natural gas. Other countries, like China, subsidize their manufacturing sector and are not subject to carbon reduction requirements or costs associated with absolute CO_2 reductions. U.S. manufacturing must have a level-playing field, especially with China. EITE industries can continue to increase energy efficiency and reduce GHG intensity. EITE industries consume about 80 percent of all energy from the U.S. manufacturing sector. A better path forward is to implement cost-effective GHG policies identified in our February 9, 2021 communication to Committee entitled "Climate Policy Priorities for Energy-Intensive-Trade-Exposed Industries for the Biden Administration and the U.S. Congress."

TITLE VIII ECONOMY-WIDE POLICIES

Title VIII, "Regulations of GHG emissions for facilities of 25,000 tons of CO2 per year" requires states to submit state implementation plans (SIPs) to the EPA to achieve the stated goal of 100 percent clean economy by 2050.

- **EITE companies desire to continue contributing to the reduction of GHG emissions and are working every day to reduce their carbon intensity. However, manufacturing product process technology does not exist which would allow the EITE industries to rapidly decarbonize, and this legislation will result in GHG and economic leakage:** Technologies used by the manufacturing sector are very diverse, capital intensive, and designed to operate for many decades. Research investments are being made, but it will take decades to develop and deploy new less carbon-intensive process technology that is cost-effective.

  The power sector has carbon-free energy technology to help them decarbonize. The transportation sector has electric vehicle and low carbon transportation fuels to help them decarbonize. *There is no such silver bullet for the manufacturing sector.*

- **EITE industries are <u>dependent</u> upon the market for the supply of less carbon-intensive energy, feedstocks, and electricity:** We are primarily dependent upon suppliers to

provide less carbon-intensive energy. There are no economical supplies of less carbon-intensive fuels and feedstock available to support decarbonization.

- **Trillions of dollars of EITE process equipment is designed to use natural gas, not electricity:** The industrial sector consumes about 28 percent of U.S. natural gas. Natural gas is used as a fuel and feedstock. As a fuel, there are hundreds of thousands of individual pieces of equipment and process technologies that are designed to use only natural gas, not electricity. Replacing equipment would be cost prohibitive and significantly increase operating costs. In most cases, the technology does not exist to switch from natural gas to electricity. Most importantly, the cost of a Btu of electricity versus a Btu of natural gas makes electricity cost-prohibitive. For these reasons, the industrial sector cannot currently transition away from natural gas to electricity in a cost-effective manner. Less expensive wind and solar does not always translate into lower electric costs. California has one of the highest electricity prices in the nation.

- **Hydrogen, as a less carbon intensive alternative, injected into natural gas pipelines, is problematic:** Hydrogen is a less carbon intensive fuel for potential injection into natural gas pipelines. Hydrogen mixed in natural gas will damage manufacturing turbines, compressors, and other equipment. Plus, the cost of hydrogen is cost prohibitive at today's prices. *Hydrogen also substantially increases NOx emissions, which would conflict with our facility air permits and could result in reduced production of products.*

- **Power quality and reliability are critical to manufacturing operations:** Power quality disruptions can potentially damage equipment, products, and output and may also present a hazard to plant personnel. Due to the intermittency of renewable energy, we are already experiencing problems with power quality in buying power off the grid. It is for this reason that there are limitations to the volume of renewable energy that our facilities will be able to use. Self-generation overcomes the problem and is also reliable. It behooves policy makers to encourage self-generation, because if these facilities shutdown and we buy more power from the grid, it adds significant stress to a grid that is already fragile. It would also increase costs to retail electricity consumers. The less power that we pull off the grid – the better for everyone.

- **Carbon capture and sequestration (CCS) technology R&D and infrastructure requires additional government support to realize its potential contribution for EITE industries but will be limited in use due to locational issues:** CCS remains cost prohibitive. Scaling up CCS such that it becomes economical and accessible requires additional financial incentives, regulatory streamlining, and infrastructure development such as pipelines and geologic resources. And, most places in the country are not physically located where these attributes are located.

- **Include a job retention safety valve:** State Governors should be given the ability to opt-out if manufacturing jobs are at risk.

- **Greater federal investments in EITE DOE R&D are needed to accelerate decarbonization technology solutions.**

SUBTITLE C – FEDERAL BUY CLEAN PROGRAM

The Federal Buy Clean Program provides an incentive to reduce embodied energy intensity of products by competing for federal infrastructure spending dollars. However, unless it is better designed and considers costs, it can result in unintended consequences, as it did in California.

We have companies that produce products in California and understand the "Buy Clean California Act" program enacted in 2017. Unfortunately, the program did not consider valuable input from the manufacturing sector. As a result, too few companies are able to participate and the program is overly complex.

One of the most important issues is the ability to verify the embodied energy intensity of imported products. If the Administrator and Secretary of Energy cannot assure third party verification of embodied energy of imported products versus products manufactured in the U.S., the program will not work and actually discriminate against compliant U.S. manufacturing companies. This is especially problematic with China due to their lack of transparency.

IECA would be happy to organize a meeting with these companies and Committee staff to provide input so that there is robust participation in the Federal Buy Clean Program.

SECTION 504 – CLEAN ENERGY MANUFACTURING GRANT PROGRAM

IECA strongly supports Section 504. This provision provides meaningful grants to encourage production of clean products and technology. These grants are a recognition that other countries are subsidizing their manufacturing sectors to achieve strategic technology advantage, while creating jobs and investment. The U.S. is behind in producing needed clean products and technology. The clean energy product space is dominated by imported products that increase our trade deficit and do not contribute to job creation.

We request that the same rebate levels available to facilities that employ less than 500 employees be available to companies that employ more than 500 employees. Larger plants use more energy. Therefore, there is more to gain in GHG emissions reductions per dollar spent.

TITLE VIII, SUBTITLE B-CLEAN ENERGY AND SUSTAINABILITY ACCELERATOR

Title VIII, Subtitle B, Clean Energy and Sustainability Accelerator has merit for commercially available clean energy products and technologies, but not for product process technologies that are desperately needed to decarbonize EITE industries. The later are risky multi-year R&D projects that will require the DOE and national lab funding and collaboration with industry.

The Accelerator focuses on products and technologies that IECA companies are currently investing to meet company sustainability goals and consistently reduce energy consumption. It is more likely that small and medium size companies may take advantage of the program. Larger companies may continue to finance projects through normal self-financing corporate options.

Importantly, it appears that the manufacturing sector would not have equal access to these funds. We note that under (b) Environmental Justice Prioritization (page 758), that "the Accelerator shall, as applicable, prioritize the provision of program benefits and investment

activity that are expected to directly and indirectly result in the deployment of projects to serve, as a matter of official policy, climate-impacted communities."

We desire to work with Congress to implement policy that will cost-effectively reduce GHG emissions, increase jobs and investments, and repair supply chain challenges that increase economic and national security.

Sincerely,

Paul N. Cicio

Paul Cicio
President & CEO

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.1 trillion in annual sales, over 4,200 facilities nationwide, and with more than 1.8 million employees. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, independent oil refining, and cement.