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BEFORE THE U.S. HOUSE COMMITTEE ON ENERGY AND COMMERCE,

SUBCOMMITTEE ON ENVIRONMENT, MANUFACTURING AND CRITICAL MINERALS

HEARING ON

"SAFEGUARDING AMERICAN PROSPERITY AND PEOPLE'S LIVELIHOODS:

LEGISLATION TO MODERNIZE AIR QUALITY STANDARDS"

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Good morning, Chairman Carter, Ranking Member Tonko and members of the Subcommittee. My name is Chris Netram, and I am Managing Vice President of Policy at the National Association of Manufacturers. Thank you for the opportunity to discuss the impact on the manufacturing economy of the Environmental Protection Agency's recent reconsideration of the National Ambient Air Quality Standards for Particulate Matter.

The NAM is the largest manufacturing association in the United States, representing small and large manufacturers in every industrial sector and all 50 states. Nearly 13 million people earn their living in manufacturing in America, and the industry generates $2.85 trillion in economic activity annually. In 2022, manufacturing workers in the United States earned $98,846 on average, including pay and benefits, and 93% of manufacturing workers were eligible for health insurance benefits in 2023.

Manufacturers are innovators. The industry performs 53% of all private-sector R&D in the nation, driving more innovation than any other sector. R&D spending in the manufacturing sector reached a record $361.2 billion in 2022. These investments have led to new medicines, new products and new materials that help make our world healthier and our country more secure. Thanks to technologies developed by manufacturers, our nation's air quality has significantly improved, with a 42% reduction in PM2.5 since 2000.[1] Indeed, recent EPA analysis found that fewer than 20% of PM2.5 emissions are from industrial processes or stationary fuel consumption.[2] The vast majority of emissions are from sources well outside of manufacturers' control, with wildfires (29%), agricultural and prescribed fires (15%), crops and livestock dust (12%) and dust from paved and unpaved roads (13%) accounting for nearly 70% of emissions.

Unfortunately, manufacturing innovation and economic growth are at risk due to the regulatory onslaught the industry is facing. In particular, the EPA's recent revision to the PM2.5 standard will make it more difficult to create jobs, build cutting-edge factories and lead the world in the development of products that will shape modern life in the decades ahead. By setting the standard at what is essentially background levels in some parts of the country, this rule will make it more difficult for states to provide permits for the construction of new facilities or expansions of existing factories. In contrast, our global competitors have adopted standards that are less stringent than the EPA rule and phased in over a much longer time frame. In this regard the EPA's action makes the U.S. a global outlier. This is particularly concerning in light of the post-pandemic focus on diversifying supply chains. Countries around the world are fighting to ensure that the next dollar of industrial investment is made within their borders, particularly for the products that are expected to shape our world in the decades ahead, such as

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[1] *See* Environmental Protection Agency, Air Quality–National Summary, *available at* https://www.epa.gov/air-trends/air-quality-national-summary.
[2] Environmental Protection Agency, Overview of Particulate Matter (PM) Air Quality in the United States (Updated June 29, 2023*), available at* https://www.epa.gov/system/files/documents/2023-06/PM_2022.pdf.

semiconductors, batteries and clean energy technologies, and the EPA's rule may put the U.S. at a competitive disadvantage.

The EPA's Revised PM2.5 Standard Will Harm Manufacturing Growth

Last February, the EPA announced its intention to impose stricter NAAQS on fine particulate matter, known as PM2.5, or particles that measure two and a half micrometers or less in diameter. At the time, the EPA's existing guidelines set the acceptable level 12 micrograms per cubic meter of air. After noticing the rule and taking public comment, the EPA has now finalized the new standard to be 9 micrograms. This would put the standard in line with background levels of particulate matter, which can range from 6 to 9 in certain areas of the country.[3] States will now be tasked with putting together their State Implementation Plans to outline the efforts they will make to reduce pollutant concentrations and meet the new, stricter standard.

The economic impact of this rule will be devastating for communities in counties across America, where they will miss out on new growth and job opportunities due to permitting roadblocks. The final rule will dramatically increase the number of counties that could be designated as being in nonattainment, with some estimates reaching as high as 569—which would severely limit their ability to attract new manufacturing investment. As local community leaders have noted, states will now be forced to make difficult decisions regarding the construction of new roads, bridges and manufacturing facilities.

For example, in Arizona, manufacturers must contend with unique geographic and climate challenges that can drive up business costs. In response to the proposed NAAQS reconsideration, the EPA and the administration heard from a mayor in Maricopa County, who

[3] *See* Environmental Protection Agency, Particulate Matter (PM2.5) Trends, *available at* https://www.epa.gov/air-trends/particulate-matter-pm25-trends.

touted the progress they were making in balancing environmental concerns with economic considerations as they comply with a variety of federal, state and local regulations. This final rule would disrupt that balance and force communities in Maricopa County into nonattainment. This designation could result in the loss of federal highway funds, which are critical to the community's efforts to keep up with their population growth and economic activity.

In Georgia, the EPA and the administration heard from local officials that the stricter standard will imperil the small and medium-sized manufacturers that make up the backbone of their communities. These officials specifically pointed out that dropping the standard below 10 would discourage investment by these small manufacturers and make preexisting operations more difficult. These companies need improvements to the local infrastructure in order to expand their operations. Unfortunately, projects to build roads and bridges would be stalled, resulting in economic stagnation.

These self-inflicted delays to investments in roads, bridges, cutting-edge factories and new energy projects will frustrate the intent of Congress. Congress has taken significant steps to boost manufacturing in America. The CHIPS and Science Act, the Bipartisan Infrastructure Law and the energy provisions of the Inflation Reduction Act were designed to support industrial investment, and the Tax Cuts and Jobs Act was rocket fuel for the sector, leading to historic levels of investment, hiring and wage growth.[4] But uncertainty and delays in the permitting process resulting from the EPA's final rule will make it more difficult and riskier to move forward with projects that Congress meant to incentivize. New manufacturing investments will position the nation to lead in growing parts of the global economy for decades to come. Any delay—or decision to forgo a project—will harm the long-term competitiveness of our industry and of

[4] After the passage of the Tax Cuts and Jobs Act in 2017, the manufacturing sector in 2018 added 263,000 new jobs, increased wages by 3%, increased capital spending by 4.5% and grew production by 2.7%. *Dynamic Estimates of the Macroeconomic Effects of Tax Rate Increases and Other Tax Policy Changes* (April 2021), *available at* https://www.nam.org/wp-content/uploads/2021/04/NAM-Tax-Study-2021.pdf.

America, especially if this onerous rule revision would make it more likely that investments are made in competing markets rather than the United States.

In addition, the EPA's actions will harm American workers. A recent report[5] by Oxford Economics and commissioned by the NAM found that reducing the PM2.5 standard from 12 micrograms per cubic meter to 8 micrograms would result in a loss of $162.4 billion to $197.4 billion of economic activity and put 852,100 to 973,900 jobs at risk, both directly from manufacturing and indirectly from supply chain spending. Moreover, growth in areas found to be in nonattainment would be constrained, limiting investment and expansion over the coming years. Due to these limited opportunities for expansion or investment, areas in nonattainment would lose out on an additional $138.4 billion in output and 501,000 jobs through 2027. While the Oxford report analyzes a more stringent standard than the level ultimately finalized by the EPA, it nonetheless illustrates that creating more areas of nonattainment by moving toward background levels of particulate matter puts jobs at risk.

Finally, the EPA's standard of 9, with a near-immediate effective date, is much more stringent than our global competitors. The European Union standard is currently 25, and a proposal there would be to reach 10 by 2030. The U.K. has a target of 10 by 2040, and China has a national standard of 35. The EPA's rule puts the U.S. at a competitive disadvantage by creating uncertainty around the ability to construct new facilities or expand existing factories at a time when firms are actively seeking to diversify their supply chains and spurring new industrial investments.

[5] Oxford Economics, *U.S. Air Quality Standards and the Manufacturing Sector* (Apr. 2023), *available at* https://documents.nam.org/COMM/NAM_Air_Quality_Standards_Analysis_Web_Version.pdf.

The EPA's Final Rule Is the Latest in a Regulatory Onslaught That Is Harming Manufacturers

The NAM surveys manufacturers on a quarterly basis. In its most recent report,[6] manufacturing optimism (expressed as a respondent's positive outlook for their business) remained near a post-pandemic low, with 66.2% feeling either somewhat or very positive about their company's outlook. Small and medium-sized manufacturers were particularly pessimistic, with companies with fewer than 50 employees and those with between 50 and 499 employees reporting positivity rates of just 65.9% and 63.0%, respectively.

One of the main headwinds cited by respondents was the tax and regulatory burden in the United States, with more than 60% of respondents saying it is a primary business challenge. The EPA's recent action will only add to the already-daunting regulatory burden facing manufacturing. Recent research commissioned by the NAM quantifies the cost of complying with existing regulations:[7]

- The total cost of federal regulations is an estimated $3.079 trillion, an amount equal to 12% of U.S. GDP.
- For manufacturers, the cost of federal regulations is roughly $350 billion, a 26% increase from 2012 (the most recent prior version of this study). The regulatory burden on manufacturers is larger than the economies of 29 U.S. states.
- The average manufacturer in the United States pays $29,100 per employee per year to comply with federal regulations—more than double the regulatory burden faced by other industries.

[6] National Association of Manufacturers, NAM Manufacturers' Outlook Survey, Fourth Quarter 2023 (Jan. 8, 2024), *available at* https://nam.org/wp-content/uploads/2024/01/Outlook-Survey-December-2023-Q4.pdf.
[7] Nicole V. Crain and W. Mark Crain, *The Cost of Federal Regulation to the U.S. Economy, Manufacturing and Small Business* (Oct. 2023), *available at* https://nam.org/wp-content/uploads/2023/11/NAM-3731-Crains-Study-R3-V2-FIN.pdf.

- The burden on small manufacturers is even more severe, as they incur regulatory costs of $50,100 per employee per year. A small manufacturing firm with just 20 employees bears more than $1 million in compliance costs per year.

These data reflect the cost of complying with regulations in place as of 2022. New regulations, such as the EPA's final PM2.5 rule, will only add to this burden. The final rule that is the subject of today's hearing is only one out of many rules that are expected to be finalized in the coming months. Each of these could be expected to divert time and resources from job creation, R&D and new capital investments that will power American growth in the years ahead:

- The EPA has proposed numerous regulations that include burdensome reporting requirements and that would restrict or create a de facto ban on PFAS production or use. The carbon-fluorine bond that is the hallmark of PFAS is unmatched in chemistry, meaning that for many of its current uses, such as semiconductors, EV batteries, medical devices and items necessary for national defense, there are no existing replacements. These proposed restrictions would force manufacturers to abandon domestic production of critical items and instead rely on foreign production.
- Another proposed EPA regulation would impose new requirements on natural gas and coal power plants, which account for more than 60% of our nation's total power generation, requiring wide-scale deployment of carbon capture and sequestration/storage or co-firing with hydrogen. Noncompliant facilities would be shut down. Because the technologies required to meet the rule are unlikely to be available at scale in the time frame required by the EPA, a large portion of our nation's power supply runs the risk of being taken offline if the rule is finalized as proposed.
- The EPA has proposed an emissions regulation at levels so low that it would create a de facto ban on the production and use of ethylene oxide, which is used to sterilize medical

devices, including personal protective equipment used by doctors and hospitals, as well as other equipment that cannot be sterilized by steam.

- There are multiple proposed vehicle emissions standards that conflict with one another, including the EPA's proposed greenhouse gas and tailpipe emissions standards that would increase the cost of both manufacturing and purchasing vehicles. The EPA proposal would reduce consumer choice, as it requires two-thirds of vehicles produced to be battery-electric by 2032, notwithstanding the current limits on charging infrastructure, critical minerals and grid capacity that would be nearly impossible to address at this scale in this time frame.
- The SEC's proposed climate disclosure rule would dramatically increase manufacturers' compliance costs, divert resources from job creation and growth, expose companies to increased liability, reveal proprietary and confidential information and ensnare wide swaths of the manufacturing supply chain. These effects would be felt throughout the industry, including by small and privately held businesses.
- The Department of Energy recently announced a freeze on pending decisions to export liquefied natural gas. Since the U.S. shale revolution, manufacturers in the U.S. have depended on access to clean, affordable, reliable American natural gas, and our abundance has led to the U.S. bolstering our allies' energy security. For instance, after the invasion of Ukraine, the EU was able to slash Russian gas imports to one-third of 2021 levels mainly by tripling U.S. imports.[8] As such, the DOE's action not only impacts manufacturing in America, but it also puts our allies at risk and provides an upper hand to Russia.

[8] Ben Lefebvre and Gabriel Gavin, *US Rethinks Gas Exports, Spooking Europe*, Politico (Jan. 19, 2024), *available at* https://www.politico.com/news/2024/01/19/biden-europe-gas-exports-00136671.

Congress Must Act to Protect Manufacturing Growth

Given the dire consequences to the economy that will result from the EPA's decision to drastically lower the PM2.5 standard, Congress must assert itself and restore balance to the reconsideration process. But before any underlying changes are made, Congress should first reverse this regulation. That is why the NAM is supportive of efforts to utilize the Congressional Review Act to disapprove of the new standard. The NAM strongly encourages the House to protect manufacturers from the significant harm that would result from the EPA's final PM2.5 rule by passing a CRA resolution providing for Congress's disapproval of the new standard.

The NAM also commends the Committee's work to update the NAAQS review process, and we look forward to working with the Committee on its discussion draft's commonsense and workable reforms. For example, the discussion draft would require a review of the standard every ten years instead of five, ensuring that states have adequate time to prepare and submit their implementation plans without fear of the EPA moving the goal posts. The draft also includes critical language that balances the economic and energy effects of a rule with important public health considerations. In addition, given the heavy burden that is placed on states to comply with ever-changing EPA regulations, it only makes sense that their voices are elevated during the rulemaking process. The discussion draft will accomplish this goal by adding state representation on the Clean Air Scientific Advisory Committee. Finally, the NAM is encouraged by provisions on controlled burns, which are designed to reduce wildfires and the resulting release of particulate matter.

The NAM commends the Committee for proposing these changes, and manufacturers will work with Congress throughout the legislative process on this important proposal.

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Manufacturers in America create family-supporting jobs in communities across the country, drive innovation, power economic growth and develop and deploy technologies to make our environment cleaner. We are at a critical moment in history, standing on the cusp of large-scale deployment of new sustainable energy sources and the development and commercialization of new technologies. Congress has made clear that it wants America to be the destination of choice for new manufacturing investment so that our nation continues to lead the world in creating new technologies and products that make lives better for people around the world. However, the EPA's burdensome PM2.5 rule and the regulatory onslaught facing the industry will make it more difficult for manufacturers in America to build and expand the cutting-edge factories needed to meet those goals or to hire the teams necessary to meet our workforce needs. This frustrates the intent of Congress and squanders our global competitive advantage. Congress must block the EPA's final PM2.5 rule and reform the NAAQS process to protect manufacturers from future attempts to limit manufacturing growth. Manufacturers look forward to working with the Committee to stand up to the administration's regulatory onslaught and enact these critical reforms.