

**Submission for the Record
Representative Kathy Castor
Select Committee on the Climate Crisis
September 26, 2019**

Via e-mail

September 24, 2019

Chairwoman Castor
House Select Committee on the Climate Crisis
H2-359 Ford Building
Washington, DC 20515

Ranking Member Graves
House Select Committee on the Climate Crisis
H2-359 Ford Building
Washington, DC 20515

Dear Chairwoman Castor and Ranking Member Graves,

On behalf of the United Steelworkers (USW), I would like to thank you and the members of the select committee for holding this week's hearing on the issue of industrial greenhouse gas emissions and the climate crisis. I write to you on behalf of the members of the United Steelworkers, North America's largest manufacturing union. Our members supply almost every sector of the economy, and produce a wide array of products, including paper, glass, ceramics, cement, chemicals, aluminum, rubber, and of course, steel. They produce these energy-intensive products in facilities that are as efficient as any in the world. In fact, over the past several decades the industrial sector and its workers have undertaken many initiatives to increase their energy efficiency. And while the industrial sector can, and must, further improve efficiency in order to decarbonize sufficiently to avert the worst potential consequences of the climate crisis, it is crucial that any policy undertaken to reduce emissions in this sector be developed in a manner cognizant of the unique factors that make this particularly challenging for industry. To that end, I thank you for allowing me to provide the perspective of our members and our union.

The United Steelworkers have, for decades, been a leader in the labor community on environmental issues, including climate change. We were the first industrial union to endorse a comprehensive climate change bill, and we have actively engaged for years on the development of environmental laws and regulations. We continue this work at both the state and federal level, working with partners such as the BlueGreen Alliance, which our union formed along with the Sierra Club in 2006, and which continues to provide a strong and credible voice articulating the shared commitment of the labor and environmental communities.

As Congress considers potential policies to address climate change, the way in which these policies affect the industrial sector is of paramount importance. With the industrial sector accounting for 22 percent of total U.S. greenhouse gas (GHG) emissions, it must be part of any comprehensive decarbonization effort both here and abroad. Still, this must be developed in a manner that recognizes the challenges this sector-- with its large capital cost and embedded process emissions-- faces. There is great potential for decarbonization in the industrial sector while still maintaining production and employment, but to achieve this requires significant upfront investment in proven industrial energy efficiency technologies; development and scaling of technologies such as carbon capture, utilization, and sequestration; and strong

measures to ensure that additional costs placed on American industries by mandates or direct carbon pricing do not lead to emissions and job leakage.

Industrial Energy Efficiency

A key goal of the Steelworkers has long been advocating for the increased use of industrial energy efficiency technologies such as Combined Heat and Power (CHP) and Waste Heat to Power (WHP). CHP captures the heat produced in conventional power generation and WHP captures the heat produced in industrial processes. Both systems then use that heat in other industrial processes as useful energy. These, along with on-site renewable generation and other existing efficiency measures, are among the most efficient ways for industrial sources to reduce demand for external energy sources including electricity, which in turn can dramatically reduce energy consumption.

The Department of Energy found that increased deployment of efficiency technologies like CHP, WHP, and on-site renewable generation can reduce overall energy consumption in the industrial sector by 15%, from 47% to 32%, by 2025. That sort of reduction can make a real difference in total national energy consumption and, by extension, GHG emissions. These technologies are already reducing emissions and are in use in thousands of facilities across the U.S., many of which are in industries that Steelworker members work such as steel, oil, and pulp and paper. Further deployment can both further reduce emissions and bring down the cost of these systems through economies of scale.

In addition, policies to reduce industrial emissions need to be made in the understanding that unlike power generation, which could, in theory, be entirely decarbonized by replacing traditional fossil fuels with clean energy sources, industrial emissions cannot be entirely eradicated that way. Because industry produces process and other emissions that are unavoidable, policies to develop effective carbon sinks are necessary to achieve net-zero emissions. Carbon capture, utilization, and storage is therefore a critical component of any climate policy. We support policies— like the Utilizing Significant Emissions with Innovative Technologies (USE IT) Act- to make these technologies and necessary infrastructure more widely available to industry.

The challenge to further deployment of industrial energy efficiency technologies like these is largely one of available funding for investment. The benefits of these systems to industry are substantial, but they accrue over a long period of time through decreased energy costs, however the costs are also substantial and are almost entirely upfront. Manufacturers with limited access to capital often simply cannot put together the necessary funding in the short term to install these systems, even if the benefits outweigh the costs in the long term. Any policy that focuses on industrial emissions must include measures to lower the cost of investment for manufacturers to drive further deployment.

Many companies and sectors are experimenting with new technologies to reduce emissions from the industrial sector. These exciting opportunities are costly to research, develop, and deploy; therefore, not all companies are able to engage in these activities. We also urge Congress to robustly support and fund this type of research at the Department of Energy or other relevant agencies to ensure that new emissions reduction technologies are developed and commercially available to industrial sources as soon as possible.

Emissions Leakage

While industrial energy efficiency policies and carbon capture can provide options to industry to responsibly reduce emissions, many policy proposals to address GHG emissions involve some sort of carbon price. The Steelworkers have endorsed certain of these carbon price policies in the past, notably the 2009 Waxman-Markey bill. Our union does not oppose carbon pricing, so long as carbon price policies

include necessary provisions to address the needs of our members. Foremost among these is a comprehensive policy to prevent emissions and job leakage.

The idea underpinning carbon pricing is that the assessment of a cost on emissions will provide an incentive to reduce them, either through the development of more efficient process or of new products which can be made with fewer emissions. This theory is sound, as long as those costs cannot simply be evaded by companies offshoring production to nations which do not apply a similar carbon price, or downstream producers and consumers avoiding the cost by purchasing imported goods from such nations.

In energy-intensive, trade-exposed industries like steel, glass, aluminum, chemicals, rubber, and pulp and paper, this threat is particularly acute because they are globally-traded commodity-based industries, in which even small differences in production costs can have a huge effect. A carbon price at almost any level that impacts American producers, but not imports will have a huge negative impact on domestic production and employment. In addition to those lost jobs and production, a carbon price that results in leakage will likely have the doubly undesirable effect of making the climate crisis worse, as production displaced to countries such as China, whose industries are less efficient, will result in more global GHG emissions.

The Steelworkers are pleased to see that a consensus has seemingly formed in the U.S. policy community that any serious carbon pricing policy must include a mechanism to prevent this leakage. The structure of the leakage prevention policy can vary somewhat based on the type of carbon pricing policy enacted, but the end result of any acceptable leakage prevention policy must be the enactment of a strong border adjustment mechanism.

The border adjustment, properly applied, will prevent leakage by ensuring that U.S. producers do not face a cost disadvantage relative to foreign producers. By applying a commensurate carbon cost on products consumed in the United States regardless of the country of origin, it would be compliant with international trade rules and would ensure that the commitment of the U.S. to combating climate change would not only drive increased efficiency in domestic production, but in foreign production as well.

As discussed earlier, the speed in which cost disadvantages in energy-intensive, trade-exposed industries can affect U.S. production in those industries cannot be overstated. As such, it is imperative that a border adjustment be fully in place and operational as soon as domestic industries face a carbon price. If the structure of the carbon price is a carbon tax, the border adjustment needs to be enacted at the same time that U.S. producers incur the tax. If the border adjustment cannot be stood up in time, the application of the tax on energy-intensive, trade-exposed industries must be delayed until the border adjustment can be applied.

The application timeline is somewhat different in the case of a cap-and-trade system, such as the one proposed in the 2009 Waxman-Markey bill. In that bill, which USW endorsed, the border adjustment was delayed for several years after the carbon price would have been applied to allow time for international negotiations. Critically, however, during the time between enactment of the carbon price and the application of the border adjustment, energy-intensive, trade-exposed industries were defended from leakage via the allocation of free allowances against the cap until such time as the border adjustment was ready. At that point, the allocations would phase out as the border adjustment phased in. Our Union's position is that the border adjustment should be applied as soon as possible, and if there are delays of any sort because of trading rules or other factors, the industrial sector must be held harmless via some method, whether that method is a delay in the application of the carbon cost on industrials or the provision of cost mitigation during the delay.

However, it is eventually structured to fit in a carbon price regime, the application of a strong border adjustment measure to prevent emission and job leakage is critical to the successful application of the carbon price.

Conclusion

Addressing the climate crisis is the defining challenge of our generation, and the United Steelworkers are ready to join in that effort. We have led the way within the labor community on these issues for decades and will continue to do so. However, for these efforts to be successful and lasting, they must be designed with an understanding of how they will impact America's industrial workers and move American industry into the future. The needs of energy-intensive, trade-exposed industries must be taken into account through the inclusion of policies that will drive innovation and efficiency in those industries, and policies including a border adjustment to prevent the loss of production and jobs due to carbon leakage.

On behalf of the United Steelworkers, I would like to thank the Select Committee for holding this hearing on this critical aspect of addressing the climate crisis. We look forward to continuing to work together to meet our shared goal of solving this crisis, while maintaining and creating jobs for Americans.

Sincerely,

Roxanne D. Brown
International Vice President At Large