American Iron and Steel Institute

2011 Public Policy Agenda

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Public Policy Priorities

Promoting and Advancing a National Pro-Manufacturing Agenda

Background. Steel and other manufacturing industries are the backbone of our economy. A strong manufacturing sector creates significant benefits for society, including good-paying jobs, investment in research and development, critical materials for our national defense, and high-value exports. Yet manufacturing in North America is in crisis, facing significant challenges to its international competitiveness due to a host of factors, including rising energy costs, inadequate investment in infrastructure, increasing regulatory burdens and foreign unfair trade practices. Since 2000, over 4 million U.S. manufacturing jobs have migrated overseas because of the lack of aggressive policies to keep these jobs here in America. A concerted pro-manufacturing policy agenda is needed to reverse this troubling trend.

Situation. In December 2009, the Obama Administration released its Framework for Revitalizing Manufacturing which recognized the importance of the manufacturing sector and noted that today "America's steel industry has emerged from two decades of consolidation and restructuring as modern, hi-tech, green and globally competitive." That Framework also recognized that in today's global economy, cost drivers play a decisive role in where manufacturing jobs are located. While the Framework supported a range of policy measures designed to help create a competitive business climate in which manufacturing can thrive, little has been done to implement this vision in legislation passed by the Congress. If Congress is serious about creating jobs and revitalizing our economy, it must take up legislation that will address these cost drivers and provide industry with a level playing field on which to compete globally.

Industry Position. The North American steel industry strongly supports implementation of a national pro-manufacturing strategy that will ensure U.S. manufacturers are able to compete in today's global economy. Key aspects of such a strategy must include the following:

- Trade: Expand rules-based trade and keep strong our laws against unfair trade and injurious surges. Ensure strict and aggressive enforcement of these laws, which provide WTO-consistent trade remedies against injurious dumped and subsidized imports and against injurious import surges. Address China's currency manipulation, which harms the economies of the United States as well as our trading partners by keeping China's export prices artificially low. Support greater scrutiny of China's State-Owned Enterprises (SOEs) and the Chinese government's use of numerous market-distorting subsidies, raw material export restrictions and other mercantilist practices.

- Energy/Climate Policy: Adopt an energy/climate policy that creates incentives for domestic manufacturing investment to advance industrial energy efficiency and renewable and alternative energy products and infrastructure, while implementing a national energy policy that promotes greater access to low carbon, affordable, abundant sources of energy, including nuclear power along with both on- and offshore resources.

- Transportation and Infrastructure: Invest in upgrading America's infrastructure through a long-term strategy that makes the nation more efficient and reduces our carbon footprint, while energizing commerce and creating jobs. Specifically, target

infrastructure spending to projects like bridge replacement or repair and expanded water infrastructure that spur a significant increase in the demand for domestic steel and manufactured products, and create long-term employment opportunities.

- Tax and Regulatory Policies: Eliminate anti-competitive tax policies that inhibit new investment in manufacturing and eliminate domestic regulations that impose excessive – and unnecessary – cost burdens on U.S. manufacturers. Require Congressional review of any new regulatory requirements that would cause significant cost burdens on U.S. manufacturers. Reform U.S. tax law to promote greater investment in manufacturing plants and equipment through such measures as an investment tax credit, expensing and accelerated depreciation.

- Stable Markets for Business Investment: Improve the consistency and predictability of government policy in order to encourage capital investments in the private sector that require long lead-times. Ensure stable access to credit for qualified manufacturers that will help companies purchase new equipment, modernize facilities, hire more workers, expand production capacity, and invest in energy efficiency technologies and projects.

- Government Support for R&D: Invest in programs that promote domestic production of commodities and materials (such as steel) using clean energy technologies, emphasizing and increasing investments in public/private partnerships which are highly effective at leveraging federal funding and advancing breakthrough manufacturing technologies. These breakthrough manufacturing technologies are critical to our national energy security and economic recovery.

- Workforce Education: Educate and prepare the next work force in "applied engineering technology" for work in industries such as steel.

The United States cannot continue to lose its manufacturing base due to market distorting foreign competition or economic policies that ignore or disregard the adverse effects on domestic investment in productive capacity. Should this happen, the U.S. military and civilian national security interests (e.g., DHS) would lose their principal source of strategic materials and our nation would become dangerously dependent upon foreign sources of supply. The impact public policies have on manufacturers must be carefully considered to achieve a better balance between economic growth and other goals. To truly revitalize American manufacturing, it is imperative that the Congress and the Administration work together to implement this pro-manufacturing agenda.

International Trade

Background. U.S. manufacturers and their workers can compete with anyone in the world on a level playing field, but they cannot compete against governments. Strong U.S. antidumping (AD) and countervailing duty (CVD) laws provide critical discipline against unfair trade. The United States plays by the rules and adheres to its WTO obligations, but some of our trading partners do not. China – a non-market economy (NME), a significant exporter and by far the world's largest steel producer – has disrupted world markets by continuing to expand production of steel and steel-containing products, even during the recent global economic downturn. In 2010, China's net exports of finished steel products nearly tripled. Steel and other U.S. manufacturers are facing significant trade challenges.

Situation. U.S. trade remedy laws have been weakened through previous trade agreements and erroneous WTO dispute settlement decisions. China's steel and steel-intensive industries remain government-owned and controlled and heavily subsidized. Amid the recent global economic downturn, China protected and increased its exports by manipulating its currency, raw material markets and border measures for steel and steel-containing goods. India and other major offshore steel producers also continued to use subsidies, tax and trade policies and investment restrictions to protect their markets and expand their exports. The U.S. needs a new, more effective trade policy to level the playing field and preserve and strengthen our manufacturing base.

Industry Position. Strong laws against unfair trade must be the cornerstone of any pro-manufacturing agenda for the United States. Enforcement of our trade remedy laws is not "protectionism." Key efforts should be to:

Expand Rules-Based Trade and Keep Strong Our Laws against Unfair Trade and Injurious Surges. Congress and the Administration should work to expand rules-based trade through existing and new trade agreements, and oppose trade law weakening in legislation and any trade agreement, including the WTO Doha Round and in potential new free trade agreements (such as the Trans-Pacific Partnership). A rules-based trade policy agenda should include the following:

- Pass the South Korea-U.S. Free Trade Agreement (KORUS) as a means to increase our exports of manufactured goods to Korea, but with provisions included in domestic implementing legislation to ensure the continued effectiveness of our laws against injurious dumped and subsidized imports from Korea. Such legislative provisions are needed because the trade remedies chapter of this FTA includes provisions that, if misapplied, could politicize and weaken our enforcement process in unfair trade cases involving South Korea. Insist that these KORUS AD/CVD provisions not be repeated in any future FTA. Also include provisions in the implementing legislation to ensure aggressive enforcement of Korea's commitments to increase market access for U.S. exports of manufactured goods.

- Support a "rebalancing" of the Doha Round "Rules" negotiations and the putting forth of new U.S. proposals that would strengthen international disciplines against unfair trade and restore effectiveness lost in erroneous WTO Appellate Body decisions.

- Pursue new trade agreements and negotiations to eliminate tariffs, export taxes, and other trade barriers to U.S. exports.

- Oppose implementation of the erroneous WTO Appellate Body decisions related to the "zeroing" issue; continue efforts to seek a negotiated agreement to allow zeroing in AD calculations; and implement additional AD policies and practices that preserve the full effectiveness of our AD law.

- Support passage of additional means and resources to address the growing problem of schemes to circumvent and evade U.S. AD/CVD orders.

- Enact legislation to require Congressional consultation and approval of all future implementations of adverse WTO decisions.

- Enact legislation that restores the strength of U.S. trade laws and updates existing trade remedies based on new economic realities, e.g., CVDs for NMEs, remedies for currency manipulation and exporter absorption of AD/CV duties ("duties as a cost" issue).

- Make permanent the Steel Import Monitoring and Analysis (SIMA) data system, which leads to timelier and better information for government action when appropriate.

Keep Trade Laws and Agreements Strictly Enforced. Support only Administration appointees who believe in the importance of the trade laws they are commissioned to negotiate and enforce (USTR, Commerce, International Trade Commission, and Customs). Support more resources for Commerce's Import Administration. Support an enhanced Customs focus on commercial enforcement (fraud and circumvention, trade law evasion and product safety problems). Encourage expanded resources for the Office of the U.S. Trade Representative (USTR) to exercise U.S. rights under existing law and agreements. Fully support WTO cases brought by the United States against China's illegal export restrictions on raw materials, China's gross abuse of its AD/CVD laws, China's WTO-prohibited import substitution subsidies to its wind power sector and other actions inconsistent with WTO obligations. Identify additional WTO cases that would benefit U.S. manufacturing and defend vigorously against attacks on U.S. law.

Use All Means Available to Prevent/Address Unfair Trade and Injurious Surges from China. Support full and strict CVD application against China, including passage of an effective trade remedy against Chinese government currency manipulation. Support maintenance of China's NME status under AD law, as well as findings that China's steel industry is state-owned and -controlled. Support increased scrutiny of China's state-owned enterprises (SOE's) and the Chinese government's industrial policy strategies for raw materials, steel and other manufacturing industries. Support more aggressive diplomatic efforts to reach out to other governments that find common cause – and take joint action – regarding Chinese trade and industrial policies. Be vigilant about China export trends and developments in China that are driving them. Support continued application of Section 421 (China "special safeguard") trade remedies against disruptive China import surges.

Energy and Global Climate Change Legislation

Background. Steel is an energy intensive industry. In 2009, the latest year for which AISI energy data is available, the domestic steel industry consumed 14.6 million tons of coal and coke, 214 billion cubic feet of natural gas, and 36.4 billion kilowatt hours of electricity. Some companies are predominantly dependent on electricity – the EAF segment of our industry accounted for 84 percent of our industry's electricity consumption. Conversely, integrated producers accounted for 94 percent of all coal and coke consumed by the sector. Natural gas is important for both EAF and integrated producers. Fuel prices, choices, and availability influence each company's profitability in different ways.

The steel industry in the U.S. has the lowest energy consumption and lowest CO_2 emissions per ton of production of any steel producing industry in the world. Production of steel in the U.S. versus other parts of the world is therefore good for the environment and should be encouraged, not limited. Numerous studies confirm steel's essential role in global infrastructure, energy generation and transmission, and transportation. Steel will continue to be essential to the 'greening' of U.S infrastructure and its energy supply through at least 2050.

The steel industry worldwide is committed to CO_2 reduction via increased recycling, sharing of best available technology, developing breakthrough technologies — from which future steels may be made emitting little or no CO_2 — and by the continued development of lighter, stronger and more durable steels which enable our customers to reduce their CO_2 emissions.

Situation. After several years of debate on proposals to create cap-and-trade mechanisms to address climate change, the Congress appears ready to consider alternative options to address energy and climate issues. Among the options to be debated include a national Renewable Electricity Standard (RES) or clean energy standard, increased tax and other incentives for industrial energy efficiency and new clean energy production, efforts to enhance access to U.S. domestic oil and natural gas resources, and federal support for research and development programs related to breakthrough technologies for low carbon energy and industrial production.

Industry Position. AISI believes that Congress should craft a comprehensive and market-driven energy and climate change policy built around promoting greater development of domestic energy sources, incentives for efficiency improvements, and additional support for industry efforts to develop breakthrough technologies. In particular, such an agenda should:

- Create an abundant and affordable energy supply by developing domestic oil, natural gas, nuclear power, and clean coal resources and fully make all these sources of energy part of the nation's energy independence strategy moving forward. In particular, natural gas is a strategic resource that can help drive economic recovery. Environmental regulations on shale gas drilling should maximize the potential benefit while balancing impact on the environment. Also, excessive speculation in natural gas markets can be detrimental to both producers and users, and should be avoided.

- Maximize the energy efficiency of existing industrial facilities in the near-term. This can be achieved by incentivizing the capture and conversion to electricity of wasted heat and byproduct gases at industrial facilities, through the tax code, grant and loan programs, and renewable energy policy. Measures that promote combined heat and power (CHP) should be pursued as well. The relationship between utilities and industrial customers should also be structured in such a way as to maximize energy and environmental benefits from efficiency investments.

- Include clean sources of energy – including nuclear, natural gas, hydro-electric and clean coal carbon capture and storage (CCS) – in policies promoting renewable sources of electricity, such as wind and solar. Incentives, including targeted tax credits and other fiscal measures, should be used to promote investment in clean energy projects, rather than relying on mandates, such as an overly restrictive and narrow renewable electricity standard. The costs associated with additional renewable electricity capacity should not be disproportionately borne by large manufacturing purchasers.

- Support breakthrough research for longer-term benefits. Steel and other energy-intensive manufacturers have made great strides in energy efficiency to the point that today's processes are optimized. To further lower energy intensity and to substantially reduce emissions, new processes must be developed that do not rely on carbon fuels. Steel has already begun this long-range research. Cost-sharing, tax incentives and favorable depreciation schedules are also important for this work and for transforming the energy sector.

Finally, policymakers must recognize that if climate change is a problem, it can only be addressed effectively on a global basis. This must be the guiding principle if we are to actually lower CO_2 emissions globally and do so without lessening the competitiveness of U.S. manufacturers in the global marketplace. Domestic climate and energy policy must take into account our international competitors or how the cost of our compliance will alter the competitive balance in the marketplace. Specifically, the enactment of any CO_2 reduction legislation or regulations in the United States must apply the same level of stringency to other major steel producing nations, such as China, on a contemporary timeline. For example, EPA regulation of greenhouse gases (GHGs) from stationary sources under the Clean Air Act will likely harm the competitiveness of domestic manufacturing, shifting American jobs and emissions to unregulated nations. The Clean Air Act statute was not intended for the regulation of GHGs, and is not the proper statutory scheme for seeking reductions in GHG emissions because of its localized methods of regulation and enforcement and disregard for competitive economic impacts.

Environmental Policy and Regulations

Background. Over the past two years, the U.S. Environmental Protection Agency (EPA) has undertaken an aggressive regulatory agenda, proposing a substantial number of new regulatory initiatives. In addition, because the 111th Congress did not pass the comprehensive cap-and-trade legislation urged by the Administration and the incoming 112th Congress is unlikely to enact significant expansions of existing environmental regulatory statutes, the EPA is expected to accelerate its already extensive regulatory rulemaking activities in all program areas in the coming year. AISI will continue to engage the Agency as it pushes ahead with new and revised regulations in a number of program areas, including air, water, toxic chemicals, and solid waste.

AISI currently interacts with the EPA on more than 40 environmental rules that may have significant impacts on steel manufacturers. For example, the Agency is currently undertaking a number of actions in the air program ranging from reviewing and strengthening ambient air quality standards to imposing lower emission limits for major stationary sources. Many of these new regulations will create permitting obstacles for investment in new and renovated facilities and impose significant additional costs on domestic steel producers as well as other energy intensive industries. In addition, a number of state environmental agencies have taken aggressive regulatory action that impact the steel industry, such as proposals to regulate the ballast water of ships carrying goods on the Great Lakes to address invasive species concerns.

Situation. The AISI has long identified environmental stewardship and commitment to sustainability as part of our industry's strategic plan and our vision for the future. As a result of this commitment, we are aggressively seeking ways to reduce our environmental footprint even while producing the advanced and highly recyclable steel that our economy needs. In fact, the American steel sector is recognized as having the steepest decline of total air emissions among nine manufacturing sectors studied in EPA's 2008 Sector Performance Report.

Even though the steel industry has a history of demonstrated leadership in meeting and exceeding environmental requirements, the simultaneous development of multiple new environmental regulatory proposals across several program areas at the federal and state levels will create severe competitive disadvantages for the industry and endanger manufacturing jobs.

Industry Position. AISI believes that the Congress should conduct a comprehensive oversight program of environmental regulatory development activities and initiatives. In particular, such a program would:

- Examine the impact of the EPA and state agencies' regulatory agenda on jobs and industrial competitiveness;
- Seek greater emphasis on cost/benefit analysis of proposed regulations at both the federal and state levels;
- Encourage greater transparency and industry access to the regulatory development and implementation processes at EPA and at state environmental agencies; and

- Delay or prevent proposed unilateral regulations that would harm U.S. industrial competitiveness without addressing the international aspects of the environmental issues that they seek to address. One clear example of this is EPA regulation of greenhouse gases (GHGs) from stationary sources under the Clean Air Act. The Clean Air Act statute was not intended for the regulation of GHGs, and EPA's plans to regulate stationary sources will negatively impact American manufacturing jobs while increasing emissions from sources in nations without similar regulations.

Expanding and Improving America's Transportation and Water Infrastructure

Background. A globally competitive economy depends on an effective and efficient transportation infrastructure. The report of the National Surface Transportation Infrastructure Financing Commission to Congress estimates that it will require approximately $200 billion per year, each year, for the foreseeable future to maintain and improve the nation's highways and transit systems. An efficient infrastructure directly impacts the competitiveness of the manufacturing sector. In addition, infrastructure improvements and expansion creates significant demand for steel fabricated products.

Steel plays a vital role in transportation infrastructure repair and development through the use of steel plate, reinforcement bar, guardrails, signage, utility poles and a wide range of other steel products. The most recent transportation act, *Safe, Accountable, Flexible and Efficient Transportation Equity Act-a Legacy for Users (SAFETEA-LU),* addressed a portion of the infrastructure expansion and improvement in the U.S. and provided a high-profile opportunity for steel. This legislation expired in September 2009 and authorization of a new act is way overdue. In addition, federal funding through the Highway Trust Fund is currently inadequate. This, coupled with the current economic downturn, has resulted in delays or stoppage of vital transportation projects nationally.

With regard to the nation's water infrastructure, it is estimated that fifty percent of the 160,000 public drinking water systems in the U.S. have reached the end of their useful lives and would require $277 billion by the year 2023 for improvements and replacements. Of the 16,000 wastewater treatment facilities in the U.S. it would require at least $140 billion for needed improvements and added capacity. The Army Corps of Engineers estimates that clean water projects, flood protection and navigation improvements will require an estimated $24 billion over the next 10 years.

Again, steel plays a vital role in water infrastructure repair, replacement and expansion through the use of steel plate, reinforcement bar, pressure and non pressure pipe, pumps, valves, tanks, grates, sheet piling as well as a variety of other steel products. The Safe Drinking Water Act, the Water Quality Investment Act and the Water Resources Development Act are all due for reauthorization.

Situation. In 2011, Congress needs to authorize a new multi-year surface transportation act, a safe drinking water act, a clean water act and a water resource development act.

Industry Position. A surface transportation authorization bill should include the following:

- An adequate level of funding for surface transportation infrastructure needs with an emphasis on highways and specifically bridges;
- Research funding with regard to the durability of continuously reinforced concrete pavement (CRCP) and research on improved gas mileage;
- Research funding to develop new modular bridge systems that are more corrosion-resistant and can be rapidly constructed;

- Targeted research for steel bridge fabrication and construction (non-modular); and

- Measures to ensure proper implementation of the long-standing Buy America provision for surface transportation projects:

    - Ensure a permanent and transparent waiver process
    - Close loophole in Federal Transit Administration regulations that allows foreign steel to be used in products not made primarily of steel (e.g., rebar in concrete)
    - Prevent segmentation of projects

Water infrastructure authorization bills should contain adequate funding levels to address the Nation's water infrastructure needs. The bills should also recognize the vital and necessary role that steel and steel products play in restoring the nation's water infrastructure. Steel should be at least on an equal footing with other construction materials used in these projects and should not be put at a disadvantage.

Occupational Health and Safety

Background. AISI members place the highest priority on occupational health and safety (OHS) matters because it is imperative that their valuable workers remain safe and healthy. They have made substantial efforts to decrease the number and frequency of workplace incidents and continue to work through AISI to share information and best practices to meet their shared goal of improving occupational safety and health.

AISI recognizes that it is a policy priority of the federal government to ensure safety and health at industrial workplaces. The steel industry shares this critical goal. Our experience has demonstrated that cooperative efforts among company management, employees, and government can help maximize safety and health. However, regulations that are not based on thorough cost-benefit analysis may misdirect priorities and create unnecessary costs for employers that prevent optimum workplace safety and health benefits from being realized. Furthermore, increased enforcement measures can be counterproductive to achieving optimal benefits.

Situation. There are several public policy issues regarding occupational safety and health that are pending in both legislative and regulatory arenas. In the regulatory arena, the Department of Labor and OSHA leadership have pledged to increase workplace inspections and enforcement and streamline the standards development process. The multifaceted proposed regulatory agenda includes several items of interest to the domestic steel industry, including OSHA's Injury and Illness Prevention Program (I2P2), a new proposed standard for combustible dust, a revised interpretation of the existing noise standard, and a revision to the OSHA recordkeeping rule that would require employers to list musculoskeletal disorders (MSD) as a separate entry on the OSHA form. Furthermore, the agency intends to streamline its regulatory process to permit issuance of permissible exposure limits (PELs) for multiple substances rather than continue the agency's substance-by-substance regulatory approach.

In Congress, attempts were made in 2010 to pass the Protecting America's Workers (PAW) Act (H.R. 2067 and S. 1580), a substantial OSHA reform bill. Updated versions of the bill may be reintroduced in the 112th Congress. This legislation would amend the OSH Act of 1970 to subject corporate officers to criminal prosecution when workers are seriously or fatally injured; increase monetary penalties for employers; alter the enforcement process to grant a worker, or their representative, additional rights to challenge proposed fines and settlements; and force employers to abate alleged violations prior to judicial review.

Industry Position. AISI urges continued cooperative government-industry approaches, such as codifying and funding the Voluntary Protection Program (VPP), to promoting worker health and safety both on the legislative and regulatory fronts. It is critical that key OSHA regulations proposed and implemented in 2011, including I2P2, the noise standard interpretation, and combustible dust, be based on thorough cost-benefit analysis so that unintended consequences do not occur. Regulations should be directed on that shared health and safety goals of the industry, employees, and OSHA, and not create unnecessary costs that these benefits from being realized. Furthermore, increased enforcement measures can be counterproductive to achieving optimal benefits.

AISI remains concerned that the PAW Act would permit criminal felony prosecution of specific corporate officers when OSHA determines that serious injuries or a fatal accident was due to a willful violation of one of its regulations. The bill would also require employers to commence abatement of an alleged violation prior to a judicial appeals ruling, yet it provides no means to reimburse employers who subsequently are judged innocent. The industry is also concerned that a provision in the bill would prohibit programs that reward safety performance if it may also discourage employees from reporting an injury or illness. Finally, the bill also would grant employee representatives and their family representative the right to contest citations, penalties, and subsequent OSHA modifications of proposed citations and penalties, since this may delay and complicate the compliance process.