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CLEAN POWER PLAN PROPOSED RULE PUBLIC HEARING  
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Introduction

Good afternoon and thank you to the Environmental Protection Agency (EPA) for holding these public hearings on the proposed Clean Power Plan (CPP). My name is Brett Smith, and I am Senior Director of Government Relations for the American Iron and Steel Institute (AISI).

AISI serves as the voice of the North American steel industry in the public policy arena and advances the case for steel in the marketplace as the preferred material of choice. AISI is comprised of 22 member companies, including integrated and electric furnace steelmakers, and approximately 125 associate members who are suppliers to or customers of the steel industry. AISI’s member companies represent over three quarters of both U.S. and North American steel capacity.

Steel and other manufacturing industries are the backbone of the U.S. economy. A strong manufacturing sector creates significant benefits for society, including good-paying jobs, investment in research and development, essential materials for our national defense, and high-value exports. A robust American steel industry is critical to leading the domestic economy.

Steel Industry is Energy-Intensive and Trade-Exposed

AISI members are doing everything they can to reduce their energy usage, as well as their environmental footprint, over the last two decades. The domestic steel industry has voluntarily reduced its energy intensity by 28 percent since 1990, while reducing its greenhouse gas (GHG) emissions by 33 percent over the same time period. In fact, data presented by the U.S. Department of Energy show that the steel industry in the U.S. has the lowest energy intensity and second-lowest CO₂ emissions intensity of any major steel producing country.

Nevertheless, the production of steel is inherently energy intensive, as energy is typically 20 percent or more of the cost of making a ton of steel. The industry consumes substantial amounts of electricity, natural gas, and coal and coke to make our products. Maintaining affordable and reliable sources of these energy sources are critical to the international competitiveness of our industry.
Steel producers in America are currently under substantial challenges from international competitors. The American steel industry is once again facing a surge in unfairly traded imports from multiple countries. Countries like China and Turkey continue to disrupt world markets by subsidizing the production and exportation of steel by their producers. The overall surge in imports has led some steel producers to file trade cases on five different products, and a number of facilities have already been idled and workers have lost their jobs. In several recent cases, foreign steel producers were receiving below market rates for electricity, which constitutes a subsidy.

These types of foreign government interventions are creating global overcapacity in steel and a surge of steel imports into the U.S., inhibiting the industry’s ability to recover fully from the recent economic downturn. For the steel industry, operating in the U.S. under tight margins with substantial subsidized competition from overseas, policies that raise energy costs on domestic companies threaten our competitiveness.

**Primary Concerns with Proposed Clean Power Plan (CPP)**

The proposed Clean Power Plan will impose direct requirements on the electric utility sector, not on its customers, but it is the customers that will bear the costs associated with compliance and reliability risks. Our principal concern is that this may lead to higher costs of electricity to large industrial customers like steel, while potentially lessening the quality and reliability of the electric supply that is essential for our industry to operate and succeed.

The economic impact will be particularly impactful for the steel industry, given the regional differences in current fuel mix for the industry. The CPP will have a disproportionate impact on coal-fired utilities, and there is a high correlation between the service areas of those utilities and the location of steel production facilities. The leading states in terms of iron and steel production in the U.S. are Indiana, Ohio, Pennsylvania, Kentucky, Michigan and Alabama. All of these states are heavily dependent on coal for electricity production, and in turn, so is our industry. Industrial customers, especially steel producers, will be charged to offset the cost of replacing coal capacity with other sources, including the cost of new transmission infrastructure.

Additionally, the impact of other proposed or pending EPA regulations of the utility sector should be recognized as well. These regulations, including the Mercury and Air Toxics Standards (MATS), the Cross State Air Pollution Rule (CSAPR), coal combustion residuals, and Clean Water Act section 316(b) cooling water intake structures, will all have an impact on coal-fired utilities, and therefore threaten the availability and reliability of electricity to large industrial customers like steel. In addition to the economic impacts of these collective regulations of the electric sector, there will be
fundamental changes necessary to the production and distribution infrastructure to obtain compliance with the CPP.

Another significant concern is that these proposed regulations do not reflect the fact that efforts to address climate change can only be effective when undertaken on a global basis. Limitations on CO₂ emissions instituted in the United States must apply at the same level of stringency to other major steel producing nations, such as China. Otherwise, the competitiveness of energy-intensive, trade-exposed domestic manufacturers, such as steel, in the global marketplace will be lessened. The end result will be that steel production and manufacturing jobs will shift to other nations with weaker, less costly regulations, and where steel production is less energy efficient and more environmentally harmful.

**Conclusion**

Again, thank you for the ability to speak about this proposed rule today. The domestic steel industry has substantial concerns that the Clean Power Plan proposed by the EPA may unilaterally raise the costs of electricity to large industrial customers like steel, while potentially lessening the reliability of our electricity supply. They will put steel producers in the U.S. at a disadvantage against competitors in other nations, which often subsidize electricity costs and generally have higher rates of GHG emissions. Such a result would not only be detrimental to the domestic industry and its employees, but to the larger global environment.