My name is Tom Gibson and I am President and CEO of the American Iron and Steel Institute (AISI). AISI represents 24 member companies in North America, and our members make 70% of the steel produced in the United States. Prior to the current economic downturn, the industry directly employed approximately 165,000 persons in the United States, supported a total of 1.2 million jobs overall and contributed $350 billion to the economy annually.

First, I’d like to thank the Co-Chairmen, Congressman Visclosky and Congressman Murphy, and all the Caucus Members and staff for inviting me to participate in this hearing today.

As many of the witnesses on the other panels have discussed, steel, like other sectors of our economy, remains in the grip of the greatest economic downturn we have faced in many decades. In the week ending June 13, 2009, domestic raw steel production was 1.1 million net tons and our capability utilization rate was 47.7 percent. By comparison, one year ago our production was almost 2.2 million tons and our capability utilization was 90.3 percent. This represents a 47.2 percent decrease from the same period in the previous year.

The industry has been forced to make painful decisions in response to the unprecedented economic downturn. Those measures have included layoffs, early retirements and reduced work hours. Facilities have been idled. While there may be signs of recovery elsewhere in the economy, it is not yet resulting in appreciable increases in steel production. We are a healthy industry in a bad economy. We are poised for recovery but we are bracing for a very difficult year.

Looking ahead there are a number of important legislative issues Congress will consider this year that could impact the industry. I will touch upon three of these issues today: climate change, energy supply and transportation.
Climate Change

The steel industry in the U.S. has the lowest energy consumption per ton of production and the lowest CO₂ emissions per ton of production in the world. Production of steel in the U.S. is thus more environmentally friendly than in other parts of the world.

Further, the steel industry is committed to CO₂ reduction via increased recycling, sharing of the best available technology, developing low carbon technologies and by the continued development of lighter, stronger and more durable steels which enable our customers to reduce their CO₂ emissions.

As the debate on climate change continues, it is imperative to recognize that this is a global problem that can only be addressed effectively on a global basis. Without this as the guiding principle, we will not actually lower CO₂ emissions globally and instead we will merely diminish the competitiveness of US manufacturers in the global marketplace.

AISI opposes the enactment of any laws that will force energy-intensive materials producers to shed more jobs and further reduce economic output. As you consider climate legislation, we urge you to support a strong allowance allocation system that will preserve the global competitiveness of American manufacturers and prevent job loss. If the allowance program is not sufficient, U.S. jobs and essential manufacturing capability will be lost to non-carbon-regulated countries. Perversely, this will result in a net increase in global GHG emission levels; undermining the stated purpose of the legislation.

And the lost American jobs will not be retrieved through an EPA post mortem analysis and credit adjustment.

We appreciate the hard work of Congressmen Doyle and Inslee on this issue. The rebate provisions in Title IV of the bill reflect the authors’ understanding of the challenges facing energy intensive industries and we are especially appreciative of Mr. Doyle’s efforts. However, the domestic steel industry must have a sufficient and stable pool of allowances to remain competitive. We believe several modifications must be made to achieve the bill’s stated purpose of avoiding job loss and emission migration to overseas markets.

- First, all forms of energy---coal, natural gas, biomass and electricity,---have the potential to suffer a dramatic increase due to fuel switching, deployment of waste gas capture/regeneration technology, carbon capture and sequestration technology, and wind, solar and other clean energy technologies. Energy intensive industries should be rebated
allowances to recover consequential energy cost increases resulting from climate legislation and not just allowance costs.

- As proposed, the bill does not contain a meaningful border adjustment mechanism and has a significant lag before any assessment of comparable action by our trading partners is made. Years pass before any counterbalancing action is taken to adjust for competitive advantages gained in other countries that invest far less in climate policy than domestic manufacturers. Such evaluations of comparable action need to occur at the same time domestic manufacturers are subject to regulation because any time lag offers significant competitive advantage to our competitors.

- As currently drafted, the bill arbitrarily applies a different emissions allowance schedule to energy-intensive manufacturers than is applied to every other sector receiving emissions allowances, depriving energy-intensive manufacturers of nearly one billion allowances over the life of the program. Energy-intensive manufacturers should receive the same emissions allowance schedule that is applied to every other recipient of emissions allowances.

- There is also a section of the bill that serves as a cap within a cap and fails to recognize the cyclical nature of most basic manufacturing. According to the language, no sector could ever receive rebates greater than the number received for the prior year. This additional energy efficiency language merely acts as a penalty and fails to consider business cycles or catastrophic events that affect a firm’s productivity and efficiency. We believe this clause should be stricken.

As this hearing is about solutions, AISI was pleased that the House of Representatives recently passed the Consumer Assistance to Recycle and Save Act (CARS Act). This bill encourages the early retirement of inefficient, high polluting vehicles by providing consumers with incentives for the purchase of more fuel efficient automobiles, while requiring that dealerships send the inefficient vehicles to be recycled. This legislation will achieve a quicker reduction in greenhouse gasses and increase the use of recycled materials in the manufacturing of new vehicles.

Energy

As you know, while the North American steel industry is already one of the most energy efficient in the world and the steel sector continues to make significant progress to further reduce greenhouse gas emissions by improving energy
efficiency, a sound energy policy is imperative for future growth and current industry recovery.

Reliable and reasonably priced energy is an essential element to the steel industry’s productivity and competitiveness. Lack of availability and price increases put job security at risk in the steel industry, and highly-skilled steelmaking jobs will be pushed overseas to parts of the world that have lower energy costs if Congress does not act. We need an “all of the above approach”.

Steel has a vital role to play as we rebuild our energy infrastructure. New nuclear reactors, wind towers, solar panels and natural gas pipelines are very steel intensive. The building of the new green grid will translate into putting orders for products on the books and steelworkers back to work.

I would also like to mention a piece of energy legislation the Institute has recently endorsed. The American Conservation and Clean Energy Independence Act, sponsored by House Steel Caucus Vice Chairman Tim Murphy, moves forward with the leasing program of the Outer Continental Shelf (OCS), putting us on a path to energy independence, while also containing equitable revenue sharing provisions for environmental restoration, energy infrastructure projects, alternative energy development and energy efficiency, and conservation programs. In order for the U.S. to totally rebound from the current economic crisis, a comprehensive energy plan is imperative and H.R. 2227 is a critical part of the solution.

Transportation

In order to continue to be a global leader, the U.S. must upgrade its crumbling infrastructure. For years we haven’t invested enough funding to sustain our current infrastructure, let alone keep up with our expanding needs. The American Society of Civil Engineers has estimated that $1.6 trillion is needed over a five year period to bring the nation’s infrastructure to a “good condition.” We support providing an adequate level of funding in the reauthorization for all federal infrastructure needs (highways, waterways, rail, aviation, pipelines) to ensure the U.S. has an effective and efficient infrastructure system.

Providing federal funds for infrastructure projects provides jobs and revenue to state and local communities, and has a positive impact on a wide array of individuals from steel producers, to suppliers, to manufacturers of goods, all which will aid in the recovery of our national economy. As you know, a recent Department of Transportation study reported that every $1 billion invested in federal highways supports nearly 35,000 American jobs. Timely infrastructure funding will truly be the second stimulus package.
I know I am preaching to the choir, but it vitally important that the Congress take action on the surface transportation reauthorization bill in an expeditious manner. The uncertainty from a series of extensions and stop-gap funding measures will have a negative impact on states, contractors, suppliers and the myriad of small businesses which will only continue to inhibit our economic recovery.

AISI has several recommendations for the surface transportation bill, including

- Improvements and expansion to “Buy America”
- Research funding for modular steel bridge systems
- Targeted research for steel bridges (non-modular)
- Research funding on continuously reinforced concrete pavement

Thank you for your time and invitation to appear before you today. I welcome any questions you may have.