Good morning, Chairman Visclosky and Members of the House Steel Caucus, and thank you for the invitation to testify before you today. My name is Lou Schorsch, and I am President and CEO of Flat Carbon Americas for ArcelorMittal. My role in our company is to oversee the integration and executive management of ArcelorMittal’s sheet and plate operations in the Americas, including ArcelorMittal USA and our companies in Brazil, Mexico, and Canada.

Since this is the first time a representative of ArcelorMittal has appeared before you, I would like to take the opportunity to tell you a bit about our company. ArcelorMittal is the world’s largest and only truly global steel company, with over 300,000 employees in more than 60 countries. We are the global leader in basically all market segments, including automotive, construction, household appliances, and packaging. Our company is also a world leader in R&D and technology, holds sizeable captive supplies of raw materials, and operates extensive distribution networks. Our industrial presence in Europe, Asia, Africa, and the Americas involves our company in all the key steel markets, from emerging to mature.

ArcelorMittal USA is a vital component of ArcelorMittal’s global footprint. The U.S. operations were born out of the consolidation and restructuring that has occurred in the U.S. steel industry over the last several years. Our predecessor companies, many of which were acquired out of bankruptcy, include Ispat Inland and the International Steel Group, which itself had been formed from consolidating the purchased assets of Bethlehem, LTV, Weirton, Acme, and Georgetown. ArcelorMittal USA employs approximately 20,000 people and we operate in 10 states.

As a global steel company that produces throughout the world and trades within and among many regions, ArcelorMittal is committed worldwide to free and fair trade. We primarily serve global markets through local production operations, in the
belief that our customers are generally best served by having a readily accessible source for their steel needs. But we do send products across many borders as well. ArcelorMittal exports nearly 20 million tons of steel a year between regions and is thus the world’s largest steel exporter. We therefore have a major material interest in ensuring that trade flows freely and openly within the steel market.

But in order to survive and prosper, an open trading system has to have rules, rules which protect all producers against unfairly traded products. So we couple our commitment to an open trading system with a commitment to use and enforce the rules against unfair trade in all markets where we participate. When countries violate the fair trade rules, all countries are threatened. ArcelorMittal has relied on fair trade laws to restore market-based pricing in the United States, as the Members of this Caucus are aware, but also in Europe, Canada, Mexico, and elsewhere. These laws are not protectionist - they are just a recognition on the part of the world trading system that there needs to be a set of regulations on world trade just as there are regulations on an interstate highway.

The current economic environment is obviously a challenging one for ArcelorMittal and our industry, not just in the United States but globally. The extent and rapidity of the decline in our markets are unprecedented. Operating rates in the American steel industry has fallen by 44 points in the last five months of 2008 - a decline that took 16 months in the early 1980’s, a recession that looks tame by comparison. Like most other companies in the steel industry, ArcelorMittal has responded by curtailing production substantially, drastically reducing our workforce globally. Unfortunately, these essential measures have included layoffs of approximately 10% of our US employees - around 2,000 people who are now at risk for losing the good jobs at good wages that our company - like much of the manufacturing sector- provides.

As we face such severe economic challenges it is critical that both the Congress and the Obama administration remain extraordinarily vigilant against those who would seek to subvert or ignore existing trade rules. In past periods of economic weakness - much less severe than what we face today - trading partners have been tempted to export their unemployment. Such behavior - more than so-called protectionism - is
the major threat to our open, rules-based trading system. We urge you to do all you can to send the message that the US intends to vigorously uphold its rules in this very challenging environment.

Mr. Chairman, let me also raise another issue which is pending before the Congress and whose outcome is critical to the future of our society—climate change. How the Congress and the Administration handle this issue in the coming months will have a very large impact upon our economy, including the steel sector.

The US steel industry is proud of the fact that we have the lowest energy consumption and lowest CO₂ emissions per ton of production of any steel industry in the world. So, any public policy which has the effect of driving US manufacturers offshore is the ultimate “lose-lose”—less jobs for Americans and higher emissions for the world. We are also proud of the fact that our product has the lightest carbon footprint of any major material. Our product is infinitely recyclable and is in fact recycled at a far higher rate than any other material—75%. As a result, on a lifecycle basis, steel generates less carbon per unit measured than products like aluminum, plastics, and concrete. So long as things are made of things, steel will remain the product of choice from an environmental perspective.

As you develop legislation to address global warming, we urge you to incorporate our products lifecycle benefits as well as two key concerns for our industry. The first is technological. It is currently impossible for us to produce steel from iron ore without the use of carbon, especially coal. The reduction of iron ore—such as occurs in a blast furnace—is essential to produce the steel that is subsequently recycled as well as to make those products that cannot be produced from scrap. Thus even electric-furnace plants—which make up about a third of ArcelorMittal’s NAFTA capacity, by the way—ultimately depend on carbon-based reduction processes. While the industry is working hard on alternative reduction technologies to produce steel that do not require coal, these technologies are far from commercially viable. We urge you to consider this technological constraint in any greenhouse-gas legislation—either through sufficient allowances for energy—or through process-gas exemption, as Canada has proposed.
Second, we urge you to recognize that, as an eminently tradable product, our business is global in scope. Our biggest competitor is China, which produces over one third of all the steel in the world. China also happens to be the world’s biggest emitter of CO2, both for the steel sector as well as more generally.

It is critical that Congress not make the US steel industry vulnerable to unfair competition from a nation which chooses not to adopt comparable climate restraint laws. We believe that it is very important that any US law protect American manufacturers from imports of nations who seek to gain an economic advantage by choosing not to implement effective measures as the United States. Not to do so would mean economic dislocation here and a growth of CO2 and other greenhouse gasses worldwide.

We believe that inclusion in any legislation of strict border measures and additional allowances to energy intensive industries until our trading partners adopt similar climate rules is essential to the health of the manufacturing sector and to the reduction of global greenhouse emissions.

As you fashion legislation, we urge you not just to look at the short term measurements of carbon intensity, but to look at products and processes from a longer term impact upon our society and our world. We should, as a matter of public policy, encourage the manufacture of products that have high recyclability, and thus the bill should, through its allowance system, recognize the unique value of products that once made can be used over and over without substantial additional increases in carbon emissions.

Finally, Mr. Chairman, the steel industry wants to be your partner and the partner of every member here in creating a climate measure that will best serve the world. We are proud of what we have done to reduce emissions. We are proud of our product, which can contribute significantly to reducing carbon emissions. And, speaking for ArcelorMittal, we are proud of the contributions that we have made to the ongoing political dialogue in Europe regarding climate change.
We stand ready to help you meet the challenges in a way that both protects our environment and protects the jobs of our American workers.