Today, I will focus my remarks on the topic of climate change. This is a subject on which volumes can be written and hours spoken. Since our industry is already on record with several of the committees of jurisdiction on some of the finer points, I will distill my message to three key points.

First, no other industry has devoted as much time, expertise, or goodwill to this issue as has the world steel industry – and the American steel industry is at the forefront of these efforts.

We lead not with empty words or glossy brochures, but by achievement and example.

In October, the U.S. Environmental Protection Agency recognized the American steel sector as having the sharpest reduction in total emissions among nine manufacturing sectors studied in its 2008 Sector Performance Report. The report notes that the steel industry achieved a 67 percent reduction of normalized and absolute air emissions between 1996 and 2005, while production levels remained relatively steady.

In January, the American Iron and Steel Institute (AISI) reported that energy efficiency in the U.S. steel industry continues to improve. We achieved a 33 percent reduction in energy consumed per ton of steel produced compared to 1990 levels. A year earlier, AISI had reported a 29 percent reduction since 1990, per ton produced. This represents remarkable early and sustained progress -- the Kyoto Protocol only called on the United States to reduce greenhouse gas emissions by 7 percent between 1990 and 2012.

Climate policy is not a side issue for us. It is a central, strategic concern already shaping the future of the global steel industry. Make no mistake, a million American jobs and billions of dollars in capital investment hang in the balance. Furthermore, global environmental progress is also at risk if U.S. policy impairs the competitiveness of American-made steel.

Given the state of global competition, we believe carbon control policy should be developed and implemented on a sector-by-sector basis -- at least for global industries like steel, where 40% of steel is traded internationally.

It is inconceivable to us that U.S. companies might be disadvantaged by substantial new costs or regulations not borne, for example, by steel producers in China, India or Russia, while they collectively account for more than half of CO2 emissions by the global steel sector.

We make the same products and compete in the same markets. We all have access to the same environmental and production technologies. Should developing countries with very advanced industrial sectors be given a free ride on their carbon footprint – possibly even a financial incentive to increase emissions -- at the expense of American jobs or market share? Clearly not!
Second, the steel industry views an economy-wide cap-and-trade system in the United States as a pretty bad idea. Before finally casting your lot with cap-and-trade, we encourage you to seriously consider

- more transparent policies like carbon or energy taxes,
- more targeted, globally-minded approaches like sector-based regulation, or
- more limited utility sector-only cap-and-trade programs.

We are not saying it is impossible to address our industry’s concerns under an economy-wide cap-and-trade system, but it is certainly not the easiest, most efficient, transparent, or fair way to implement carbon reduction policies.

Several of the companies at this table, including U. S. Steel, have experienced the European Union’s system of Emissions Trading and CO2 caps that started in 2005. It effectively limits production but not demand for carbon intensive goods like steel, stifles capital investment years before “heroic” CO2 caps take effect, is extremely cumbersome and bureaucratic in its administration, and has injected new volatility and uncertainty into the business planning process. Moreover, it hasn’t delivered on its promise of reducing Europe’s greenhouse gas emissions. America can do better.

My third and final point is that timing and details matter. We are in the midst of an historic, global economic correction and realignment. We do not even know where the bottom lies in this crisis, yet some of your colleagues are moving hastily to erect a massive regulatory scheme that will affect the entire U.S. economy when we can least afford it. Now is the appropriate time to invest in low-carbon energy production – wind, solar, nuclear, natural gas, and clean coal -- and to pursue widespread conservation measures. Conservation is always good policy and investing now in low carbon electricity infrastructure would establish a solid foundation for America’s low-carbon future.

Regulating the entire carbon output of the U.S. economy is very complex – don’t be misled by anyone on this point. Policy design details matter greatly. To avoid catastrophic consequences for the steel industry, any U.S. climate policy must include:

- realistic transition timelines,
- allowances to compensate for new direct and indirect costs,
- exemptions for process-based emissions that are unavoidable due to the laws of chemistry and the limits of known technology, and
- effective trade enforcement mechanisms to ensure a level playing field for American firms when other measures fail or are circumvented by foreign competitors.

On this last point, I would like to close by thanking you and the other members of the Congressional Steel Caucus for your continued interest in our industry and your strong defense of America’s fair trade laws. You all understand how important the anti-dumping, countervailing duty, and safeguard laws have been for steel. Those laws, when strongly enforced, help maintain a level playing field for American manufacturers. It is already clear that the carbon issue will demand the same type of vigilance.