Oral Testimony of Kevin M. Dempsey
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At the Hearing on Investigation No. 332-598
"Greenhouse Gas Emissions Intensities of the U.S. Steel and Aluminum Industries at the Product Level"
United States International Trade Commission
Washington, DC

December 7, 2023

Good morning, Mr. Chairman and Members of the Commission. My name is Kevin Dempsey and I am President and CEO of the American Iron and Steel Institute. Our membership is comprised of both integrated and electric arc furnace steelmakers, including producers of carbon, alloy and stainless steel, and associate members who are suppliers to or customers of the steel industry.

AISI welcomes this factfinding investigation on greenhouse gas (GHG) emissions intensities of the steel and aluminum industries in the United States. We believe that the data collected through this investigation will be critical to developing effective trade policy measures that take the GHG emissions-intensity of imported and domestic products into account.

The American steel industry is proud to be the cleanest and most energy efficient of the leading steel industries in the world, producing steel with lower carbon dioxide emissions intensity than major competing steel industries. Global steel production creates on average carbon emissions that are about double that of the U.S per ton of steel produced.

Our member companies have reduced their energy consumption and environmental impacts over many years through regular investments in their production facilities and increasing use of lower emissions energy. For example, integrated steel mills in the United States today are almost entirely fed by domestically sourced iron ore pellets,

compared to carbon-intensive sintered ore used in many other regions. And the American industry has adopted scrap-based electric arc furnace (EAF) technology at a much more accelerated rate than the global industry. We also increasingly use natural gas and renewable energy to help produce steel with lower carbon emissions intensity.

Moving forward, the domestic steel industry is committed to further reducing its environmental impacts. Steel producers in the U.S. have set aggressive GHG emission reduction targets and are implementing company-specific decarbonization strategies. The use of direct reduced iron (DRI), including hot briquetted iron (HBI), can lower emissions for both integrated blast furnace-basic oxygen furnace steel mills and replace carbon intensive imported pig iron consumed by a subset of domestic EAF steel mills. Promising opportunities also include further utilizing low emissions electricity for steelmaking and reheating processes, along with carbon capture, utilization, and storage (CCUS) technologies and the use of clean hydrogen especially in the iron-making process.

But the American steel industry and our production of lower emissions steel face critical threats. Subsidies and other trade-distorting policies and practices in many countries continue to contribute to massive global overcapacity in steel. In September, the OECD Steel Committee estimated global steel overcapacity to be approximately 612 million metric tons and growing. Much of this excess capacity is in countries that are producing steel that is much more carbon emissions-intensive than American steel, including China, India and Southeast Asian nations such as Indonesia and Vietnam, in part as a result of China's "Belt and Road Initiative."

American steel producers are concerned that a significant amount of this high emissions steel production will be exported to the U.S. market, where it threatens to undermine the billions of dollars in investments that the American steel industry is making in cleaner steel production. To counter this threat, we believe a new system of carbon or

GHG intensity-based tariffs is needed to level the playing field and ensure that American steel investments in cleaner production processes are not undercut by higher emitting foreign imports.

Currently, there are proposals to develop such a system of carbon tariffs both through international agreements and domestic legislation. The Biden administration has been working for two years now to negotiate a "Global Arrangement for Sustainable Steel and Aluminum" with the European Union (EU) that would establish a new tariff system based on the carbon intensity of steel products, and we support the administration's efforts to advance this important new policy approach.

AISI also supports domestic legislative efforts to develop a carbon tariff system like the "Foreign Pollution Fee" legislation recently introduced by Senator Bill Cassidy (R-LA).

But for any carbon or GHG intensity-based tariff approach to be successful, policymakers will first need the GHG emission intensity data that this Section 332 investigation will produce.

And to ensure the data is accurate, it is essential to develop the proper methodology for calculating GHG emissions associated with steel production. There are currently multiple conflicting approaches being used by different groups to measure the GHG emissions associated with steel production. To address this, AISI last year released its own GHG emissions calculation guidelines to provide an industry consensus view on how to calculate consistent and comprehensive data on GHG emissions from steel production.

AISI and our member companies are also working to develop other important tools for environmental impact measurement and disclosure. This includes collecting and reporting the life cycle inventory (LCI) data necessary for characterizing environmental

impacts of steel products and the continued development of facility-specific, product-specific environmental product declarations (EPDs). AISI is pleased to announce it will soon publish the first-ever U.S. average LCI datasets for stainless hot rolled and cold rolled coil products.

To properly implement a carbon tariff system, AISI also believes the assessment of emissions intensity must be done on a product-specific basis. This is essential because there can be significant differences in emissions intensity across product types. The form and function of steel products vary widely and demand different mixes of raw material inputs, especially the percentage of ferrous scrap used, which directly correlate to emissions intensity.

The need to use virgin iron in significant quantities for many sheet steel products explains why flat products generally have higher GHG emissions intensities than long products today. But a simple flat vs. long dichotomy is not adequate to capture the variation in emissions intensity among different product categories, as plate can be different that sheet.

Further, stainless steel products have different emissions intensity profiles than their carbon steel equivalents due primarily to the addition of ferroalloys to achieve the desired corrosion resistance, aesthetics, and other physical properties. Separate accounting for stainless steel products is therefore also essential.

Finally, AISI recommends that the product categories used for assessing emissions intensity be consistent with the product categories traditionally utilized by the ITC in its antidumping and countervailing duty investigations, as these product definitions are well understood in the industry and trade community.

Thank you for the opportunity to testify today. I am happy to answer any questions.