

February 2, 2017

AISI Public Policy Priorities – Promoting a Pro-Manufacturing Agenda

Steel and other manufacturing industries are the backbone of our economy. A strong manufacturing sector creates significant benefits for society, including good-paying jobs, investment in research and development, critical materials for our national defense, and high-value exports. Yet manufacturing in North America faces significant challenges to its international competitiveness due to a host of factors, including burdensome tax rates, inadequate investment in infrastructure, increasing regulatory overreach and, most importantly, foreign unfair trade practices. These practices have resulted in massive global steel overcapacity causing a surge of steel imports into the U.S. market and job losses across the country affecting local communities. A concerted pro-manufacturing policy agenda is needed to reverse this unsustainable trend.

The impact public policies have on manufacturers must be carefully considered to ensure both economic growth and our national security. The United States cannot continue to lose its manufacturing base due to market distorting foreign competition or government policies that discourage domestic investment in productive capacity. Should this happen, millions of additional jobs would be lost and our economic strength as a nation would be further damaged. The U.S. military and our civilian national security agencies also would lose their principal source of strategic materials and our nation would become dangerously dependent upon foreign sources of supply.

To meet these critical goals, the North American steel industry strongly supports the implementation of a public policy agenda to allow U.S. manufacturers to compete in today’s global economy. Key aspects of such an agenda include the following:

International Trade 3

Industry Position: Foreign government subsidies and other market-distorting policies have resulted in massive global steel overcapacity and significant levels of steel imports, resulting in thousands of U.S. job losses and numerous plant closures. The United States must press China and other nations to eliminate their steel overcapacity and to end all subsidies and other market-distorting policies that promote steel overcapacity; enforce aggressively U.S. trade laws against dumping and subsidies; respond to foreign government currency manipulation; and defend aggressively our ability to apply non-market economy methodology to remedy injurious dumping by China.

Tax Policy 5

Industry Position: AISI supports tax policy that encourages manufacturing activity in the United States and increases the global competitiveness of domestic steel producers. Congress should enact substantial reform to the tax code that includes a significant corporate rate reduction, accelerated cost recovery provisions to promote domestic capital investment, elimination of the corporate alternative minimum tax, and necessary



and appropriate transition rules that allow companies to carry into any new tax system net operating losses and other tax assets they have accumulated under current law.

Energy Policy 6

Industry Position: The production of steel is inherently energy intensive and the availability and reliability of energy is essential to the industry’s competitiveness. The Administration should substantially revise the Clean Power Plan and other rules to ensure they do not undermine the competitiveness of U.S. manufacturers. In addition, Congress and the Interior Department should reverse ongoing federal regulatory efforts that limit production of domestic energy sources. Congress and the Administration should enact policy measures to facilitate investment in our national energy infrastructure, including production, distribution, transmission, and storage projects.

Environmental Policy and Regulations 7

Industry Position: American steel producers have carefully sought to reduce our environmental footprint even while producing the advanced and highly recyclable steel that our economy needs. However, the simultaneous development and implementation of multiple new environmental regulatory programs at the federal and state levels have created competitive disadvantages for the industry. The Administration and Congress should act to reconsider recent EPA regulatory actions to examine the impact of these regulations on industrial competitiveness and to ensure adequate cost/benefit analysis

Transportation Infrastructure 9

Industry Position: Transportation infrastructure facilitates broad economic growth and directly impacts the competitiveness of the domestic steel industry. Congress should provide for increased funding for infrastructure improvements that are directed towards long-term, multi-year projects that focus on rebuilding the nation’s bridges, roads, waterways, railroads and energy infrastructure. Federal funding should be accompanied by reforms that streamline permitting to speed approval of large projects and should ensure that iron and steel used to rebuild the nation’s infrastructure is produced in the United States.

Workforce Policy 10

Industry Position: The steel industry shares the federal government’s goal of ensuring safety and health at industrial workplaces. However, recently enacted regulations may misdirect priorities and create unnecessary costs for employers that prevent optimum workplace safety and health benefits from being realized. The Administration and Congress should reconsider and reform these regulations. Congress also should enact the Voluntary Protection Program Act to authorize and improve the VPP, a key employer-employee-OSHA collaborative workplace safety program, and the new Administration should commit to a cooperative enforcement approach where federal agencies and employers work in partnership to advance workplace safety and health.

AISI Priorities on International Trade

Foreign government subsidies and other market-distorting policies in the steel sector have resulted in massive global steel overcapacity – estimated by the OECD at more than 700 million metric tons, over seven times U.S. raw steel production. This overcapacity, combined with sluggish world demand and import barriers in other markets, has resulted in significant levels of steel imports entering into the U.S. market, capturing a historically-high percentage of U.S. market share and resulting in thousands of U.S. job losses and numerous plant closures throughout the steelmaking supply chain.

Of particular note, China’s steel industry remains government-owned and controlled and heavily subsidized. China continues to protect and increase its exports by manipulating its currency, raw material markets and border measures for steel and steel-containing goods. Other major offshore steel producers also continue to use subsidies, tax and trade policies, and investment restrictions to protect their markets and expand their steel production and exports. The United States must take aggressive action to combat these unfair trade practices in order to preserve and strengthen our manufacturing base.

In particular, AISI urges the new Administration to take the following actions in the first 100 days after taking office:

- ***Overcapacity*** – Press China and other nations to eliminate their steel overcapacity and to end all subsidies and other market-distorting policies that promote steel overcapacity through the newly established Global Forum on steel overcapacity and through other avenues for engagement;
- ***Section 301*** – Instruct the U.S. Trade Representative (USTR) to initiate one or more investigations under Section 301 of the Trade Act of 1974 into the acts, policies and practices of foreign governments that contribute to the global overcapacity crisis and the repeated injurious surges of steel imports into the U.S. market;
- ***Trade Case Enforcement*** – Direct the Commerce Department and International Trade Commission to enforce aggressively and expeditiously U.S. unfair trade laws in all cases, including investigations, reviews and anti-circumvention inquiries;
- ***Currency Manipulation*** – Direct the Commerce Department to use its existing authority under the countervailing duty (CVD) law to offset the export subsidy resulting from foreign government currency manipulation and to make other administrative reforms to strengthen the effectiveness of our trade laws; and
- ***Non-Market Economy Status*** – Instruct USTR and the Commerce Department to defend aggressively at the WTO the United States’ ability to apply its non-market economy methodology in antidumping (AD) investigations on imports from China, and work with other countries to maintain broad international support for the U.S. position on China non-market economy status.



In addition, AISI urges the new Administration and Congress to work together during 2017 to pursue the following initiatives to address foreign unfair trade practices and to strengthen and fully enforce our trade remedy laws both domestically and internationally:

- ***Tools against Trade-Distorting Practices*** – The Commerce Department and the USTR should use all tools available to address foreign trade-distorting practices, including aggressive enforcement of the recently strengthened U.S. trade remedy laws, WTO litigation, and appropriate bilateral and multilateral diplomatic efforts.
- ***Trade Remedy Legislation*** – The Congress should enact legislation that further strengthens U.S. trade laws and updates existing trade remedies based on new economic realities, such as remedies for currency manipulation and exporter absorption of antidumping (AD) and countervailing duties (CVD).
- ***Funding for Enforcement*** – The Congress should provide for increased appropriations for the Office of Enforcement and Compliance at the Commerce Department to ensure adequate staffing for trade remedy and anti-circumvention investigations.
- ***AD/CVD Evasion*** – Direct U.S. Customs and Border Protection to revise its interim final regulations under the Enforce and Protect Act (EAPA) to increase the transparency of its investigations into AD/CVD evasion and to facilitate greater U.S. industry participation in this process, and to continue to place an enhanced focus on commercial enforcement.
- ***WTO Dispute Settlement Reform*** – The Administration should pursue fundamental reform of the WTO dispute resolution system to address the repeated overreaching by WTO panels and the Appellate Body, especially in decisions related to AD/CVD measures.
- ***New Trade Agreements*** – Any new and updated trade agreements should strengthen North American steel and manufacturing supply chains, eliminate tariff and non-tariff barriers to U.S. exports, enhance reciprocal government procurement market access, prohibit steel-making raw materials export restrictions and discipline currency manipulation and market-distorting state-owned enterprise (SOE) behavior.
- ***NAFTA Steel Industry/Government Collaboration*** – The U.S., Canadian and Mexican governments and industries should continue to closely collaborate and leverage their excellent working relationships through the North American Steel Trade Committee, and other international fora, to enable the strongest government policies and laws against unfair trade from offshore into NAFTA and strengthen North American steel and manufacturing supply chains.

AISI Priorities on Tax Policy

AISI supports tax policy that encourages manufacturing activity in the United States and increases the global competitiveness of domestic steel producers. Other nations have been lowering their corporate tax rates in order to encourage economic growth while the United States' combined (federal plus state) tax rate is the highest in the developed world, at almost 40 percent. In addition to an overall reduction of the corporate tax rate, simplification of the tax code and a broadening of the tax base, capital investment is crucial for economic growth and job creation. Cost recovery systems, such as accelerated depreciation and full expensing, directly impact whether or not manufacturing companies will make new investments, and must be a central feature of any tax reform legislation.

AISI urges the new Administration and Congress to enact substantial reform to the tax code during the first 100 days after taking office with the following key provisions:

- ***Significant corporate rate reduction*** – The corporate tax rate should be reduced to 15-20 percent in order to promote the international competitiveness of U.S. industry. Studies by the Tax Foundation indicate that in order to match the corporate tax rate of China and the average of the OECD countries, the U.S. federal corporate tax rate would have to be reduced to no more than 20 percent.
- ***Accelerated cost recovery*** – Congress should include provisions to promote domestic capital investment and lower the cost of capital, such as accelerated depreciation, full expensing of business capital expenditures, the interest expense deduction and percentage depletion. Such provisions are essential to encourage economic growth and job creation.
- ***LIFO accounting method*** – Tax reform legislation should continue to permit the use of the last-in, first-out (LIFO) method of accounting which has been a widely used and accepted accounting method for decades. LIFO allows companies that are subject to rising inventory costs to be properly taxed on their real income.
- ***Elimination of the corporate alternative minimum tax*** – Congress should eliminate the corporate alternative minimum tax, which places an enormous administrative burden on corporations, denies companies legitimate deductions and acts as a disincentive to new investment.
- ***Necessary and appropriate transition rules*** – It is critical that U.S. companies be allowed to carry with them into any new tax system net operating losses (NOLs) and other tax assets they have accumulated under the current system, and that no new limitations be placed on the carryforward and carryback of NOLs.

AISI Priorities on Energy and Climate Change Policy

The production of steel is inherently energy intensive, and the industry consumes substantial amounts of electricity, natural gas, and coal and coke to make its products. The availability and reliability of supplies of these energy sources is essential to the industry's international competitiveness, especially as steelmakers in competitor nations receive subsidized energy. The domestic steel industry has made substantial gains in reducing its energy usage, as well as its environmental footprint, over the last two decades, reducing its energy intensity by 32 percent since 1990 and reducing its greenhouse gas (GHG) emissions intensity by 37 percent over the same time period. Additionally, steel products are essential for the production, distribution, transmission, and storage of all types of energy, including natural gas, oil, electricity, and renewables.

AISI urges the new Administration and Congress to undertake the following actions in the first 100 days after taking office:

- ***EPA Regulation of GHG Emissions from Electric Utilities*** – The new Administration should request the courts remand the Clean Power Plan (CPP) and the New Source Performance Standard (NSPS) for utility GHG emissions to the EPA so that the agency can review and substantially revise these rules to ensure they do not undermine the competitiveness of U.S. manufacturers.
- ***Domestic Oil and Natural Gas Production*** – Congress and the Interior Department should reverse ongoing federal regulatory efforts that limit production of domestic energy sources. In particular, Congress should use the Congressional Review Act to overturn the recent duplicative regulation of methane emissions from oil and gas production on Bureau of Land Management (BLM) lands. In addition, the new Administration should not defend the 2015 regulation of hydraulic fracturing on BLM lands during ongoing litigation. Finally, the Bureau of Ocean Energy Management (BOEM) should revise its 2017-2022 Five-Year-Program for the Outer Continental Shelf (OCS) to open additional areas for exploration and production.
- ***Energy Infrastructure*** – The new Administration should take steps to ensure the approval and completion of the Keystone XL and Dakota Access pipelines. Beyond these two projects, Congress and the Administration should enact policy measures to facilitate investment in our national energy infrastructure, including production, distribution, transmission, and storage projects. In particular, the process for pipeline approval should be streamlined and improved and the deployment of new transmission infrastructure for electricity should be encouraged. This will ensure reliable, competitive energy supplies for energy-intensive industries, and expand markets for high-value steel products that are essential for oil, natural gas and electricity production and transmission.

AISI Priorities on Environmental Policy

AISI has long identified environmental stewardship as part of our industry's strategic plan and our vision for the future. We have carefully sought to reduce our environmental footprint even while producing the advanced and highly recyclable steel that our economy needs. However, the simultaneous development and implementation of multiple new environmental regulatory programs at the federal and state levels have created competitive disadvantages for the industry, endangered manufacturing jobs and added significant costs to operations while providing only marginal environmental benefits.

AISI urges the new Administration and Congress to take the following actions within the first 100 days after taking office:

- ***Mobile Source Greenhouse Gas (GHG) Standards*** – EPA should withdraw the final determination for the light duty vehicle GHG standards for model years 2022-2025. The White House should then initiate a dialogue between EPA, National Highway Traffic Safety Administration, California Air Resources Board, the auto manufacturers and other relevant stakeholders to map out a plan for the future that establishes a common sense, implementable single national program for automobile Corporate Average Fuel Economy (CAFE) and GHG standards.
- ***Clean Water Act (CWA) Jurisdiction*** – EPA and the US Army Corps of Engineers (Corps) should draft a new Waters of the United States (WOTUS) rule to replace the current WOTUS rule that has been stayed by the U.S. Court of Appeals for the Sixth Circuit pending court review. EPA and the Corps should request that that court hold the litigation in abeyance and seek a voluntary remand of the rule to the agency, allowing it to draft a new proposal that provides a common sense, protective and workable CWA jurisdictional rule.
- ***Ozone National Ambient Air Quality Standards (NAAQS)*** – EPA should defer implementation of the new Ozone NAAQS standard by two years to allow states and impacted sources more time to prepare to meet the new standard and have a smooth transition from efforts associated with meeting the 2008 Ozone standard.
- ***Financial Assurance for Hardrock Mining*** – EPA should add iron ore mining to the list of 59 categories of mining activities excluded from financial assurance under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) Sec. 108b rule. This finding is clearly supported by the data on iron ore mining risks included in the agency's docket. The EPA is required by court order to issue a final CERCLA 108b rule on hardrock mining by Dec 1, 2017.



In addition, AISI urges the new Administration and Congress to pursue the following environmental goals:

- ***Steel Sector Air Rules*** – EPA should develop steel sector air pollution rules within a reasonable timeframe that allows the industry adequate opportunity to collect and analyze its own data, and also allows time to review EPA risk assumptions and proposed additional requirements on the industry. The agency should refrain from imposing experimental and non-agency approved technology requirements that are overly burdensome on facilities and provide little added benefit over existing methods, such as the requirement to use digital opacity cameras for measuring emissions from roof vents over current methodologies. These rules should also focus solely on the source category itself and not incorporate risk from any collocated or “non-category” sources. The Integrated Iron and Steel Maximum Achievable Control Technology (MACT) rule, EAF Major Source rule, EAF Area Source rule, Coke Oven MACT rule and the Taconite Risk and Technology Review (RTR) rule are included in this group. The Integrated Iron and Steel MACT and the Coke Oven MACT rules are a part of the MACT RTR deadline case.
- ***Regulatory Reform Legislation*** – Congress should pass regulatory reform legislation to provide much needed accountability and oversight of federal regulatory agencies. This legislation could include requiring regulatory agencies to promote coordination, simplification, and harmonization of agency rules, to examine whether existing rules have contributed to the problem being addressed through regulation, and even could require a joint resolution of approval of major rules before such rules can take effect.
- ***Sue and Settle Legislation*** – Congress should pass legislation that would lessen the incentives for frivolous lawsuits which provide citizen groups the ability to have undue influence over federal regulatory agency priorities (e.g., sue and settle). This legislation could be designed to make it easier for all affected parties to take part in settlement negotiations, and to require public notice and comment on draft settlement agreements before they are filed with the court.
- ***Clean Air Act (CAA) Amendments*** – Congress should amend the CAA to modify the NAAQS review cycle and the RTR review cycle to be better aligned with the realistic pace of implementation of existing standards by EPA, states and affected emissions sources.
- ***Regional Haze Program*** – EPA should shift its posture in implementation of the Regional Haze program to allow a greater recognition of the role of states in determining compliance approaches for sources within their jurisdiction.

AISI Priorities on Transportation and Infrastructure Policy

Efficient transportation infrastructure directly impacts the competitiveness of the domestic steel industry, and manufacturing as a whole. Transportation infrastructure facilitates broad economic growth and creates significant demand for domestic steel products for projects like highways, bridges, ports, and waterways.

AISI urges the new Administration and Congress to focus on the following key actions in the first 100 days after taking office:

- ***Funding support for long-term projects*** – Increased funding of infrastructure improvements should be directed towards long-term, multi-year projects that focus on rebuilding the nation’s bridges, roads, waterways, railroads and energy infrastructure.
- ***Project permitting streamlining*** – Infrastructure funding should be accompanied by reforms that streamline permitting and approval of large projects to speed project delivery time and reduce added cost associated with time in permitting.
- ***Ensure materials are produced in the United States*** – Any infrastructure plan should require that all iron and steel used to rebuild the nation’s infrastructure is produced in the United States. Specifically, the domestic preference provisions should require that all manufacturing processes for iron and steel occur in the United States, consistent with the longstanding application of the existing Buy America provisions for surface transportation projects administered by the U.S. Department of Transportation.
- ***Significant long-term funding*** – The funding to rebuild America’s infrastructure should derive from one or more reliable, sustainable and dedicated sources of revenue, including public funding and public-private partnerships. Funds should be directed to existing programs, such as the Highway Trust Fund, and be administered by relevant federal agencies like the U.S. Department of Transportation and the Environmental Protection Agency. The funding should be significant enough to cover long-term projects over a 10-year-period as laid out in the new Administration’s 100-day action plan.

In addition to significant infrastructure spending, Congress should pass legislation providing for a single national standard for the treatment of ballast water in ships in U.S. waters that maintains exemptions for vessels travelling in limited geographic areas, such as the Great Lakes Region and St. Lawrence Seaway.

AISI Priorities on Workforce Policy

The steel industry shares the federal government's critical goal of ensuring safety and health at industrial workplaces. AISI member companies have made substantial efforts to decrease the number and frequency of workplace incidents and continue to work through AISI to share information and best practices to meet their shared goal of improving occupational safety and health. However, overly burdensome regulations may misdirect priorities and create unnecessary costs for employers that prevent optimum workplace safety and health benefits from being realized.

AISI urges the new Administration and Congress to undertake the following actions in the first 100 days after taking office:

- ***Recent Final OSHA/MSHA Regulations*** – Congress and the agencies should overturn several regulations finalized at the end of the Obama Administration. This list includes the final MSHA rule on safety examinations at metal/non-metal mining operations and the OSHA rule on ongoing recordkeeping obligations for employers.
- ***OSHA Data Modernization Rule*** – OSHA should reconsider and reform the May 2016 data modernization rule. This rule could lead to inaccurate and incomplete conclusions about safety levels in certain industries and companies and could result in sensitive company- and employee-specific information becoming public. Additionally, OSHA should ensure that the beneficial employer programs for safety incentives, executive compensation, and drug testing currently utilized by employers are not negatively impacted by the rule or existing guidance.
- ***Voluntary Protection Program (VPP)*** – Congress should enact the Voluntary Protection Program Act to authorize and improve the VPP, a key employer-employee-OSHA collaborative workplace safety program. The Administration should also demonstrate its commitment to continuing the work of the VPP.

In addition, AISI urges the new Administration to commit to a cooperative enforcement approach at OSHA and MSHA. The federal agencies and employers should work in partnership to advance workplace safety and health, rather than in an adversarial approach to enforcement and public shaming.