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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 inadequate investment in infrastructure, regulatory overreach and, most importantly, foreign unfair trade practices. These practices have resulted in massive global steel overcapacity causing repeated surges of steel imports into the U.S. market and job losses affecting many 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 take broad action under Section 232 to protect our national security; 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 by using all available tools; modernize and strengthen the NAFTA; 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 **6**

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 maintain provisions in the tax code that ensure a competitive corporate tax rate, accelerated cost recovery to promote domestic capital investment, and the



elimination of the corporate alternative minimum tax, while providing for the necessary and appropriate transition rules that allow companies to carry into the new tax system net operating losses and other tax assets they have accumulated under prior law.

Energy Policy 7

Industry Position: The production of steel is inherently energy intensive and the availability and reliability of affordable energy is essential to the industry’s competitiveness. The Administration should ensure that regulations of energy providers do not undermine the competitiveness of U.S. manufacturers, including continuing EPA efforts to replace the Clean Power Plan. In addition, Congress and the Interior Department should continue to 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 8

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. We have been encouraged by the current Administration’s recognition of the need for a partnership with industry to preserve and protect our shared environment while promoting economic growth. AISI urges the Administration and Congress to continue to reconsider EPA regulatory actions in order to address the impact of these regulations on industrial competitiveness and to ensure adequate cost/benefit analysis.

Transportation and Infrastructure Policy 10

Industry Position: Transportation infrastructure facilitates broad economic growth and directly impacts the competitiveness of the domestic steel industry. Congress should provide for increased, long-term funding for improvements to the nation’s transportation, water, energy and other critical 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 for the nation’s infrastructure is produced in the United States.

Workforce Policy 12

Industry Position: The steel industry shares the federal government’s goal of ensuring safety and health at industrial workplaces. However, some 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 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

Unfairly-traded steel imports remain the top threat to the steel industry in the United States. Surges in these imports are fueled by (1) foreign government subsidies and other market-distorting practices; (2) the resulting massive global steel overcapacity; (3) dumping steel into the U.S. market by selling imports at artificially low prices; and (4) circumvention of U.S. trade remedies.

Foreign government subsidies, government ownership and control of major producers, currency manipulation, tax preferences, investment restrictions and other market-distorting policies in the raw materials and steel sector promote exports at the expense of U.S. steelmakers.

These subsidies and interventionist government policies have resulted in massive global steel overcapacity – estimated by the OECD at nearly 700 million metric tons, over seven times U.S. raw steel production. Heavily subsidized, China’s steel industry alone contributes more than half of global steel overcapacity. 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 from numerous countries, including Korea, Turkey and Japan. Steel imports are 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.

Despite over 100 U.S. antidumping (AD) and countervailing duty (CVD) orders on steel products from over 30 countries, unfairly-traded imports continue to flood the U.S. market through country-hopping, transshipment, third-country processing and assembly, minor alternations and other schemes aimed at avoiding or evading these orders.

The United States must take aggressive action to combat these unfair trade practices to preserve and strengthen our manufacturing base.

In particular, AISI urges the Administration to take the following trade policy actions to level the playing field for U.S. industry:

- **Section 232** – Repeated surges of dumped and subsidized steel imports threaten the viability of the American steel industry and our national security. AISI urges the President to take aggressive and immediate action under Section 232 to provide a broad-based remedy against imports for a meaningful time period.
- **Overcapacity** – The Administration should continue to 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 Global Forum on steel overcapacity and other avenues for engagement.



- **Trade Case Enforcement** – The Commerce Department and International Trade Commission should aggressively and expeditiously enforce U.S. trade laws – including recently strengthened U.S. trade remedy laws – in cases, including investigations, reviews and anti-circumvention inquiries.
- **AD/CVD Evasion** – U.S. Customs and Border Protection (CBP) should aggressively investigate AD/CVD evasion and place enhanced focus on trade enforcement, including revising its interim final regulations under the recently-enacted 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 EAPA investigation and trade enforcement.
- **NAFTA Modernization** – The North American Free Trade Agreement (NAFTA) should be modernized and strengthened by updating its rules of origin to incentivize the use of North American steel in manufactured goods. To serve as a model for future trade agreements, an updated NAFTA should include new disciplines on currency manipulation and the conduct of state owned enterprises, while also promoting improved North American trade enforcement cooperation and coordination and streamlined customs procedures.
- **Currency Manipulation** – The Commerce Department should use its existing legal authority to offset the export subsidy resulting from significant foreign currency manipulation.
- **Non-Market Economy (NME) Status** – USTR must continue to defend aggressively at the World Trade Organization (WTO) the United States’ ability to apply its non-market economy methodology in 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.
- **Defend U.S. Trade Remedies at the WTO** – USTR must continue to defend aggressively U.S. trade remedies, including AD/CVD, safeguard, and any 232 action, at the WTO.
- **Tools against Trade-Distorting Practices** – USTR should use all tools available to address foreign trade-distorting practices, including unilateral retaliation under Section 301 of the Trade Act of 1974, WTO litigation, and appropriate bilateral and multilateral diplomatic efforts.
- **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.



In addition, AISI urges Congress 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:

- ***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.
- ***Foreign Investment Legislation*** – The Congress should modernize U.S. law to better scrutinize and react to foreign investment by state-owned companies that seek to distort the market.
- ***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 and for the Office of Trade at U.S. CBP to ensure adequate staffing for EAPA investigations and trade enforcement.

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. In addition to the recent reduction of the corporate tax rate, simplification of the tax code and a broadening of the tax base, continued promotion of 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 federal tax policy.

AISI urges the Administration and Congress to ensure that the tax code maintains the following key provisions:

- ***A competitive corporate tax rate*** - The corporate tax rate should be maintained at a level that will promote the international competitiveness of U.S. industry. The current corporate tax rate of 21 percent will generate more domestic investment, greater economic growth and new American jobs. Any future changes to the tax code should not raise the corporate rate and threaten these benefits.
- ***Accelerated cost recovery*** - A robust cost-recovery system is vital to a pro-growth tax code and AISI applauds last year's tax reform including provisions to promote domestic capital investment and a lower cost of capital, such as maintaining the Modified Accelerated Cost Recovery System, allowing for 100 percent expensing of investment in plant and equipment, and preserving percentage depletion. Such provisions are essential to encourage economic growth and job creation.
- ***LIFO accounting method*** - Any future changes to the tax code 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.
- ***Necessary and appropriate transition rules*** - It is critical that U.S. companies continue to be allowed to carry with them into the new tax system net operating losses (NOLs) and other tax assets they have accumulated under the previous system, and that no new limitations be placed on the carryforward 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 Administration and Congress to undertake the following actions in 2018:

- ***EPA Regulation of GHG Emissions from Electric Utilities*** - The EPA should continue its efforts to repeal the Clean Power Plan (CPP) and the New Source Performance Standard (NSPS) for utility GHG emissions and replace them with rules that ensure the competitiveness of U.S. manufacturers.
- ***Domestic Oil and Natural Gas Production*** - Congress and the Interior Department should enact federal policy efforts that expand the production of domestic energy sources. In particular, the Bureau of Ocean Energy Management (BOEM) should issue a final 2019-2024 Five-Year-Program for the Outer Continental Shelf (OCS) that permits natural gas and oil exploration and production in key OCS areas. The Interior Department should continue its efforts to overturn the duplicative 2016 regulation of methane emissions from oil and gas production on Bureau of Land Management (BLM) lands.
- ***Energy Infrastructure*** - 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. In past years, the aggressive environmental regulatory programs at the federal and state levels created a competitive disadvantage for manufacturers, endangering jobs and adding significant costs and uncertainty to basic operations while providing only marginal environmental benefits in exchange. We have been encouraged by the current Administration's recognition of the need for a partnership with industry to preserve and protect our shared environment while promoting economic growth.

AISI urges the Administration and Congress to pursue the following actions with respect to environmental policy and regulations:

- ***Mobile Source Greenhouse Gas (GHG) Standards*** – EPA should revise the light duty vehicle GHG standards for model years 2022-2025 through a process that allows for greater coordination with the National Highway Traffic Safety Administration (NHTSA), the California Air Resources Board (CARB), auto manufacturers and other relevant stakeholders. We believe a process based on careful analysis of the life cycle climate impacts of auto production, along with full opportunity for public input, will yield a common sense, implementable single national program for automobile Corporate Average Fuel Economy (CAFE) and GHG standards that achieves greater environmental protection while maximizing benefits to the public.
- ***New Source Review Reform*** – EPA should revise the New Source Review (NSR) program under the Clean Air Act to significantly reduce the time and cost burden it imposes on businesses seeking to modify existing facilities. A large proportion of these modifications are enhancements that would help the efficiency and reduce the environmental footprint of existing facilities, but they are hindered from moving forward due to the unnecessary complications of the current NSR process. There is a strong consensus among manufacturers on reasonable changes to be made that would streamline this permitting process without reducing environmental protection.
- ***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. 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.

- ***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 the court hold the litigation in abeyance, allowing the agency to rescind the August 2015 WOTUS rules and draft a new proposal that provides a common sense, protective and workable CWA jurisdictional rule.
- ***Iron Ore Mining*** – EPA should formally withdraw the draft conductivity guidance issued in the fall of 2016. This guidance document has significant scientific flaws and, even in its draft form, is likely to be used by regulatory authorities to hinder iron ore mining practices and permitting. Additionally, EPA recently promulgated the final Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) Sec. 108b rule, which imposed no federal financial assurance requirements for the hardrock mining sector. Should this action come under judicial challenge, AISI will support EPA as it defends this rule.
- ***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.

AISI Priorities on Transportation and Infrastructure Policy

An efficient transportation network directly impacts the competitiveness of the domestic steel industry, its customers and suppliers, and American manufacturing as a whole. Modernization of the nation's infrastructure will facilitate broad economic growth, enhance U.S. global competitiveness and strengthen our national security, while creating significant demand for domestic steel products.

AISI urges the Administration and Congress to focus on the following key actions to improve the nation's infrastructure:

- ***Funding for robust investments in infrastructure*** – Increased funding for infrastructure improvements through multi-year, long-term legislation should aim to rebuild the nation's transportation, water, energy and other infrastructure, with a focus on maximizing efficiency, capacity, project life, resiliency and global competitiveness. For surface transportation projects, a reliable, sustainable and dedicated funding mechanism that is based on the user-fee principle – those that use the federal highway system should pay for its upkeep and expansion – must be established to ensure the solvency of the Highway Trust Fund over the long term. Investments in critical infrastructure projects, such as the revitalization of the Soo Locks, are also vital to ensuring competitiveness of U.S. steelmakers by guaranteeing access to domestic raw materials that support domestic jobs and local communities. While all means to fund and finance infrastructure projects should be considered, the federal government's key role of planning, coordinating and funding transportation projects must be maintained.
- ***Project streamlining*** – Infrastructure funding should be accompanied by regulatory reforms that significantly shorten the permitting and approval process for project delivery.
- ***Ensure building materials are produced in the United States*** – All iron and steel used to rebuild the nation's infrastructure should be produced in the United States. Specifically, 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.

In addition, Congress should:

- Authorize and fund water resources development projects that will modernize water infrastructure, improve navigation, assist with flood control and enhance safe drinking water systems; and



- Pass legislation providing for a single national standard for the treatment of ballast water, while maintaining U.S. Coast Guard approved best management practices 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 Administration and Congress to undertake the following actions to ensure a safe and healthy workforce:

- ***OSHA Data Modernization Rule*** – OSHA should continue to reconsider the 2016 data modernization rule to prevent inaccurate and incomplete conclusions about safety levels in certain industries and companies. It should ensure that sensitive company- and employee-specific information does not become 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 further 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.
- ***MSHA Workplace Examination Rule*** – MSHA should either withdraw the January 2017 workplace examination rule for metal/non-metal operations or replace it with a regulation that results in enhanced safety benefits that are not outweighed by the anticipated increased costs of compliance.
- ***OSHA/MSHA Enforcement*** – AISI urges the Administration to continue 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.
- ***Workforce Development*** – Congress and the administration should explore the development of workplace educational programs that will prepare future generations in advanced technologies for work in industries such as steel. A well-educated workforce capable of meeting the technological challenges of advanced manufacturing is essential to our industry's competitiveness moving forward.