



## **Industrial Energy Consumers of America**

*The Voice of the Industrial Energy Consumers*

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July 28, 2008

The Honorable Rick Boucher  
Chairman  
Subcommittee on Energy and Air Quality

The Honorable Fred Upton  
Ranking Member  
Subcommittee on Energy and Air Quality

Dear Congressmen Boucher and Upton:

I am writing today in anticipation of your upcoming markup of H.R. 6258, The Carbon Capture and Storage Early Deployment Act. We agree with the legislation's underlying premise that there is a need for a means to achieve economic carbon capture and sequestration (CCS) technology deployment well in advance of a carbon reduction mandate. This bill is a good step in that direction. IECA believes it is essential that our country take action to reduce greenhouse gas emissions in a cost effective manner. As we do, we would like to see greater sensitivity to industrial competitiveness and, as it relates to this legislation, more efficient and cost-effective industrial sources of technological CCS innovation. On behalf of the Industrial Energy Consumers of America (IECA), we ask that you consider the following comments as you deliberate the language of this bill and we look forward to working with you to make meaningful changes.

The consequences of this bill are significant to energy intensive manufacturing competitiveness. On one hand, funding development of CCS technology to help keep coal in the power sector energy mix is very important. On the other hand, our companies will absorb significant annual increases in the cost of electricity because of the wire charges contained in H.R. 6258. In addition to already high energy prices, some companies will pay more than \$3,000,000 each year on these wire charges - thus competitiveness is impacted. Will manufacturers be asked to pay these wire charges plus pay for state and/or federal carbon cap and trade costs in the future as well? Thus, it is for several reasons IECA cannot support the bill as written.

As a general policy, IECA encourages legislation that more broadly funds capital stock turnover, technology development and energy efficiency without picking specific technology winners and losers. In regards to H.R. 6258, the US has

significant supplies of coal, so any governmental support or subsidies should not exclude the use of coal. Any subsidy offered should be available to all technologies and the market should be allowed to work to decide which is the most economic.

The IECA includes both large consumers and producers of electricity. Unlike the power sector, we are subject to global competition and, as such, have been driven to different conclusions than this bill has reached. In short, our conclusion is that if this legislation moves forward, a meaningful portion of the funding should be allocated to *industrial* applications for CCS that could include co-generation or co-production, pulverized coal power generation or other industrial processes. All technology development must be easily transferable. Competition is a good thing and this provides competition for alternative technology routes.

As written, we have the following concerns with the legislation. First, as consumers, several of our companies would see substantial electricity cost increases each year as a result of this bill. We are concerned that state public service commission rate designs would be adopted to disproportionately allocate costs to industrial manufacturers in order to allay residential rate-payer impact and or opposition. The legislation would have to assure us that levied fees such as the wires charges in this bill will be paid for by all consumers, not just the industrial users of electricity. Our preferred methodology is to assess responsibility to the customer classes based on demand created by each class.

Second, the legislation has too narrow of a technology deployment focus to the electric power sector. End-of-tailpipe solutions are usually the most expensive alternatives. Engineered solutions to the generation process itself and energy efficiency improvements are a better solution. Our proposal for industrial applications including power deployment in the form of co-generation or co-production with CCS would achieve far greater thermal efficiencies and is a far more cost effective application of CCS than the utility central station power technology.

Third, we believe the bill's thermal efficiency and time table for technology development are not aggressive enough. For example, industrial combined heat and power, co-generation, co-production and polygen can operate at nearly twice the thermal efficiency of central station power. Industrial CCS with these higher efficiencies assures US competitiveness in a carbon constrained world. Further, there is 35 GWs thermal equivalent capacity of industrial gasification in the world that already captures CO<sub>2</sub>. CCS with these facilities is already just 25% of estimated costs of capture from pulverized coal (PC) and integrated gasification combined cycle (IGCC). The bill does not appear to strive for competitiveness, nor does it leverage the earliest and most cost-effective opportunities for deployment of CCS at economic scale.

Fourth, while industrial consumers are being asked to fund the research, there are no consumers, industrial or otherwise, on the board. We believe the board should include representatives from the industries that will provide the majority of the research funds.

Fifth, while we understand why you have chosen this type of funding and spending approach, we encourage consideration of alternative mechanisms. Even if CCS investments are stimulated, without supporting subsidies for CCS operations such as a production tax credit, such investments will not occur.

To broadly fund both CCS technology deployment and operations, perhaps a surcharge should be placed on everyone's electricity bill and the proceeds made available so that all technologies can compete. The current infrastructure for electricity will take significant investments that will raise consumer bills so an additional surcharge must produce the lowest cost alternative to help offset these rising cost burdens.

Thank you for your consideration of these suggestions and concerns. We look forward to working with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul N. Cicio". The signature is written in a cursive style with a large initial "P".

Paul N. Cicio  
President

Cc: Committee on Energy and Commerce

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*IECA is a 501 (C) (6) national non-profit non-partisan cross-industry trade association whose membership is exclusively from the manufacturing sector. IECA promotes the interests of manufacturing companies for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets.*