BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON ENERGY AND ENVIRONMENT

VERBAL TESTIMONY OF
PAUL CICIO

INDUSTRIAL ENERGY CONSUMERS OF AMERICA
REGARDING

COMPETITIVENESS AND CLIMATE POLICY: AVOIDING LEAKAGE OF JOBS AND EMISSIONS

WASHINGTON, DC

MARCH 18, 2009

Chairman Markey, ranking member Upton, members of the committee, thank you very much for the opportunity to testify before you on this important issue.

Attached to our written testimony are six policy recommendations that will reduce significant quantities of GHG emissions cost effectively and we can act on these today. We urge you to consider these policies because they will help manufacturers improve their competitiveness.

For the industrial sector, climate policy is also trade, energy, economic and employment policy. They are all linked and inseparable. It is for this reason that regulating GHG emissions for the industrial sector should be negotiated with both developed and developing countries in the context of fair trade and productivity.

The international agreement should be negotiated first, and industrial GHG emissions regulated second. Regulating the US industrial sector in advance of negotiations removes our negotiation leverage.

President Obama rightfully points to the disappearing middle class as troubling. We agree. The US began to lose the middle class when the industrial sector began to lose competitiveness along with our high paying jobs. The timing is consistent. Just look at the facts.

Please refer to Chart 1. Since 2000, US manufacturing has been losing competitiveness and losing jobs. From 2000 to 2008, imports are up 29% and manufacturing employment fell 22%, a loss of 3.8 million jobs. What are not included are the hundreds of thousands of jobs already lost this year. This trend correlates with increasing energy prices.

Chart 2 simply extends the 2000 to 2008 loss of employment trend line forward to year 2012. Unless the congress and the industrial sector take action together to stem the job losses, it indicates we are on track to lose another 2.0 million jobs by 2012.

Chart 3 plots investment in industrial equipment as a share of real GDP from 1990 to 2008. This slide illustrates that companies have consistently invested less and less in this country. The only conclusion one can draw from this chart is that the US has not been an attractive place to invest. And, to the point of this hearing, placing new carbon costs unilaterally on us will only make things worse.

Chart 4 shows the emissions of each sector of the economy. The industrial emissions are only 2.6% above 1990 levels while the other four sectors have increased an average of 31%. The industrial emissions are low because of plant shutdowns and our continuous effort to improve energy efficiency. As you can see, the industrial sector is not the problem.

Most importantly, the congress has a choice to make as it considers imposing economy wide cap and trade regulation. It must decide whether to maintain and possibly increase US manufacturing jobs by not imposing GHG reduction costs on the industrial sector – or choose to impose those costs which would create jobs in foreign countries.

The decision should not be hard because there is very sound economic and environmental justification for Congress to not act in the short term to impose GHG costs on the industrial sector but to act now to forge an important and different policy path that will provide sustained and significant GHG reductions globally by harnessing real market forces called competition.

We need US leadership to forge a global effort to address industrial sector GHG emission reductions that is focused on “fair trade” and “productivity”. This is the only way to potentially bring developing nations to the table.

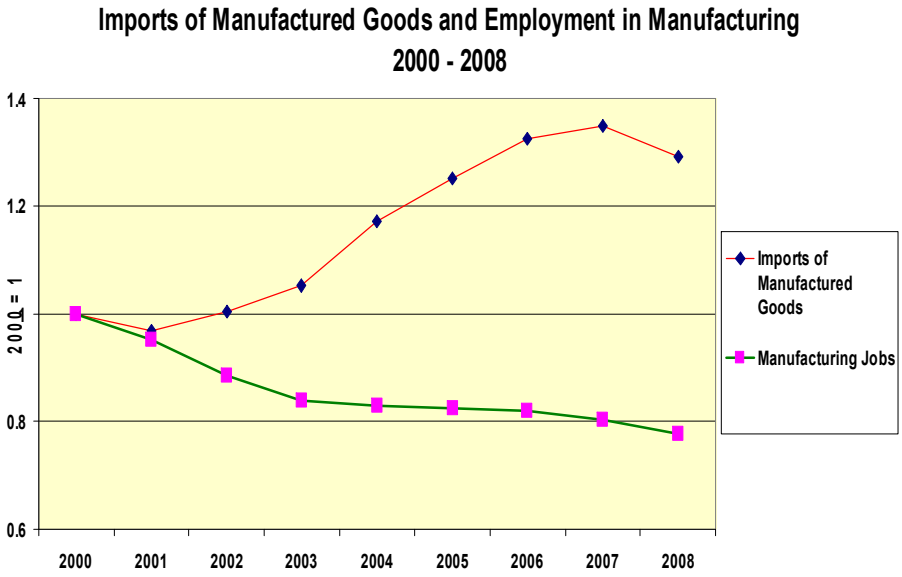
Productivity is a language that all manufacturers around the world understand and is fundamental to competition. We believe that all governments want increased productivity by their industrial sector.

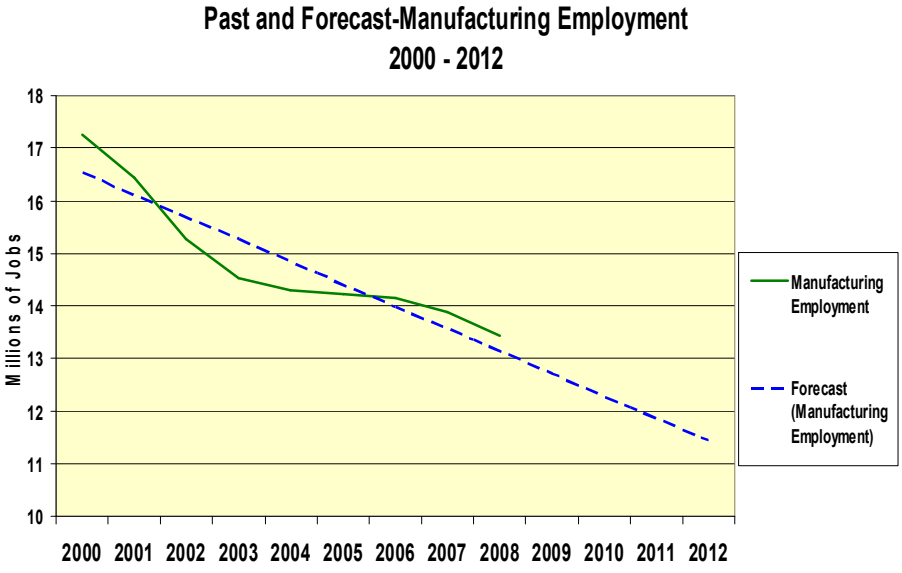
In summary, the industrial sector needs a level playing field. Adding costs by unilateral action helps “all” of our competitors in other countries take our business and our jobs.

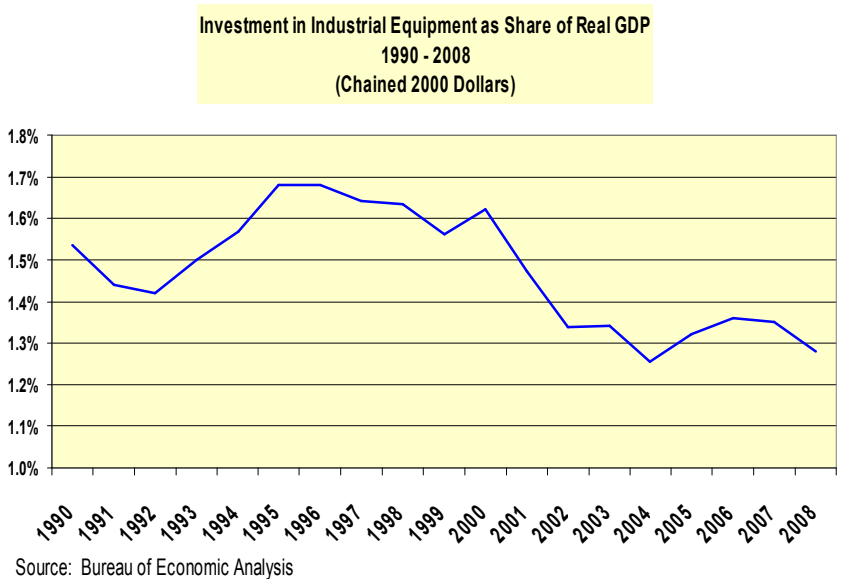
However, if the US proceeds to cap industrial sector GHGs anyway, we urge you to provide free allowances equal to the resulting increased direct and indirect costs due to GHG regulation until major competing countries have similar cost increases and take steps to ensure that unregulated, carbon-intensive foreign goods incur similar burdens during the interim.

The decision is yours to make. Company CEOs have a responsibility to their shareholders to protect the company's interest and they will. The manufacturing sector is agile and mobile to survive and thrive - it is just a question of where.

We cannot afford to lose another job or another capital investment project or to continue importing foreign goods without consideration of all the associated cost factors. American jobs and livelihoods are the commodity most at risk in this climate policy debate, so we urge you to take steps necessary to preserve and grow domestic manufacturing opportunities.







Source: Bureau of Economic Analysis

"Direct and Indirect" GHG Emissions

Table ES-3: CO_2 Emissions form Fossil Fuel Combustion by Fuel Consuming End-Use Sector (Tg CO_2 Eq.)

	1990	2007	Difference
Transportation	1487.5	1892.2	+27.2%
Industrial	1525.2	1565.2	+2.6%
Residential	927.1	1198.0	+29.2%
Commercial	749.2	1041.4	+39%
Electricity	1809.7	2327.2	+28.6%

*Source: DRAFT Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2007