

Comments on  
EPA's Advance Notice of Proposed Rulemaking (ANPR)  
On Regulating Emissions of Greenhouse Gases (GHGs)  
Under the Clean Air Act (CAA)

73 Federal Register 44354, July 30, 2008  
Docket EPA-HQ-OAR 2008-0318

Submitted by  
The Industrial Energy Consumers of America  
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Via email to the EPA EDocket:  
Air and Radiation Docket and Information Center  
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Attention: Docket ID No. EPA-HQ-OAR-2008-0318  
Advanced Notice of Proposed Rulemaking (ANPR) Regulating Greenhouse Gas  
Emissions Under the Clean Air Act (73 Federal Register 44354, July 30, 2008).

The Industrial Energy Consumers of America (IECA) is an association of leading energy intensive manufacturing companies with over \$500 billion in annual sales and with more than 875,000 employees nationwide. It is an organization created to promote 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.

It is the only trade association in the US dedicated exclusively to energy and related environmental issues and whose membership is exclusively industrial consumers from each of the energy intensive sectors. IECA membership represents a diverse set of industries including: chemicals, plastics, cement, paper, brick, fertilizer, steel, brass, glass, industrial gases, pharmaceutical, aluminum, food processing and brewing.

#### **Background information on the industrial sector**

Energy intensive manufacturing companies produce products that are essential to economic growth. In fact, the US economy cannot grow without using more, not less of these products. It is for this reason that regulations that require absolute ghg reductions raise significant challenges.

Energy is a significant portion of their total cost of producing these products. Because energy is a significant cost and because they compete globally, these companies have a long history of continually reducing their energy use per unit of product that is produced. They are major users of combined heat and power technology (using mostly natural gas and biomass) - the most energy efficient technology to produce power and steam; and are America's major recyclers of steel, aluminum, glass and paper. Both significantly reduce energy consumption and ghgs and provide many other environmental benefits.

#### **Industrial sector ghg emissions are at 1990 levels**

The industrial sector is only sector whose ghg emissions are at 1990 levels and there are important reasons for this that requires your attention. All other sectors ghg emissions are up over 30 percent versus 1990. Among many other

shortcomings, the CAA would fail to give this sector recognition for these ghg emission reductions and in fact, would penalize them for their successes and long term investment in energy efficiency and ghg reductions.

Both absolute ghg emissions and ghg intensity per unit of product have been reduced significantly. There are many reasons for this outcome.

- International competition requires these companies to continually drive down their costs, including energy costs or cease to exist.
- Significant long term investment in energy efficiency.
- Fuel switching from coal to natural gas and biomass during the 1990's.
- The shutdown of manufacturing facilities due to high natural gas prices from 2000 to 2008.

### **Economic growth increases product demand and absolute ghgs**

The industrial sector finds itself in a difficult position. The US economy cannot grow without using more, not less of these products. Higher product demand increases absolute ghg emissions. In fact, a direct result of the upcoming stimulus package directed toward public works projects such as building roads and bridges will increase product demand for steel and cement that will increase absolute ghgs.

The industrial sector can continue to reduce its ghg intensity but are very limited in our ability to reduce absolute ghg emissions. We are mostly stuck with the type of energy inputs that we currently have for fossil fuels or biomass and we are dependent upon our electricity provider's ghg intensity. Those two factors are out of our control. For the most part, the only thing we can control is the efficiency with which we use purchased energy inside our fence line.

Supplying the US with "more" volumes of steel, cement, plastics, fertilizer, aluminum, glass (etc.) to enable economic growth of the country means use of more energy, not less. This means greater absolute ghg emissions. Improving energy efficiency, in general, does not reduce absolute ghg emissions - it reduces ghg intensity of the product produced. Placing an absolute ghg emission constraint on the industrial sector theoretically limits the total volume of production that can be produced. If US producers cannot supply these products, they will be imported and ghg emissions will occur in other countries.

### **Industrials would rather invest in efficiency than purchase allowances**

If the CAA regulates ghg emissions using cap and trade, the general inability to reduce absolute ghg emission means these manufacturing companies must purchase carbon allowances. Buying carbon allowances is a cost that the great majority of our international competitors does not have and will not have for years to come. Higher energy costs due to cap and trade plus the cost of purchasing ghg allowances will result in a significant loss in competitiveness and jobs will be threatened. Manufacturers would prefer to invest their limited dollars on energy efficiency than on purchasing ghg allowances.

### **Industrial products are enablers to significant ghg reductions**

Many of the products we produce are critical “enablers” to products and technology that are an important solution to our country’s ability to reducing ghg emissions. Almost without an exception, all energy saving products includes our products! Examples include: insulation, wind turbines, solar panels and light weight plastics and metals. If the country limits, or constrains our ability to produce these products by making compliance costs to high, either the product will be imported or the cost of the product will rise. Raising the cost of the product will make it more expensive for homeowners and business to build or buy more energy efficient products and make it more difficult for the country to achieve its ghg reduction goals.

### **The CAA lacks the ability to reduce ghgs cost effectively**

The Clean Air Act (CAA) lacks the flexibility, capability and the judgment that is necessary to reduce ghg emissions cost effectively, without harm to the economy and especially to the competitiveness of the energy intensive manufacturing sector. Congress will not have acted in the interests of the public by letting the Environmental Protection Agency regulate greenhouse gas emissions under the Clean Air Act.

The important effort to slow, stop and then reduce ghg emissions without damage to the economy requires an integrated approach that includes a substantial and diverse set of both short term and long term policies that are outside of the control of the EPA and cannot be delivered thru the CAA.

Examples of such policies include: increasing energy efficiency across the entire economy; increasing supply of low carbon energy sources such as clean waste energy; renewable, nuclear, carbon capture and sequestration; substantial increases in the supply of natural gas; removing environmental regulation barriers that prevent energy efficiency improvements; removing energy regulation barriers to low carbon energy sources; private-government partnerships in both short term and long term technology research and commercialization; and international agreements that reduce ghg emissions within the industrial sector globally so as not to damage their competitiveness. The CAA is a blunt and rigid instrument that cannot take these multi complexities into consideration.

### **The CAA is insensitive to manufacturing competitiveness and job losses**

The government can choose to regulate ghg emissions under the CAA but if it fails to do so cost effectively, the industrial sector will experience substantial loss of manufacturing jobs. The CAA can regulate ghg emissions but it cannot regulate a company’s decision to shut down its US facilities and produce in other countries because of high US ghg reduction compliance costs. The net effect would be to shift ghg emissions to other places in the world and lose high paying manufacturing jobs here at home.

A real life proxy for this occurred from 2000 to 2003 where US natural gas costs rose substantially for the first time in history and stayed at these new higher levels. The US lost about 2.7 million manufacturing jobs or 15.7 percent in that time period. This is a major reason why the industrial sector's ghg emissions are at 1990 levels. Manufacturing facilities were shut down and moved overseas. And, from 2003 to 2007, energy intensive product imports rose 78 percent. The lesson we learned is that if energy costs in the US rise relative to the world, energy intensive manufacturers will protect their shareholders by moving offshore. Every study indicates that energy costs in the US will rise under a cap and trade regulatory regime.

### **The CAA cannot prevent the purchase of imported products to avoid regulation**

The CAA cannot regulate a decision by companies to import energy intensive products from companies in countries without carbon constraints. The ghg emissions of the imported products from other countries cannot be regulated under the CAA. Also, to import such products and not add their emissions to the US emissions total would not be environmentally responsible.

### **The CAA cannot regulate manufacturing in foreign countries**

The CAA cannot regulate ghg emissions of manufacturing facilities in foreign countries that produce energy intensive products that are imported into the US. Recent US global warming legislation has included provisions that would require imported products to purchase ghg allowances if their country does not have comparable regulations. All of the proposed schemes will not work. The global manufacturing sector is too nimble and is quick to adjust to such constraints. There are ways around compliance under each proposal. Instead, a global solution is warranted.

The global reality is that developing nations place a significant priority on their manufacturing sector for both domestic economic growth and exports. They have a long history of providing all types of subsidies that include energy and trade credits. If they subsidize energy costs for their manufacturers, why wouldn't they also subsidize the cost of purchased ghg allowances to enable exports to the US? Even if countries did not subsidize the cost of purchased ghg allowances, unless something is done to eliminate energy and export subsidies, US industry's competitiveness will be damaged because of the additional costs of the CAA compliance costs.

### **The CAA does not provide the global solution that the industrial sector needs to maintain competitiveness**

The CAA does not have the ability to regulate a reasoned and cost effective reduction in ghgs by the energy intensive manufacturing sector on a global basis. Without a global approach, the US energy intensive manufacturing sector will lose out to global competitors who are not regulated.

In closing, the member companies of IECA are committed to doing their part to meet the global warming challenge and offer our assistance to work with the EPA in any capacity to help achieve these important goals.

Sincerely,

A handwritten signature in cursive script that reads "Paul N. Cicio".

Paul N. Cicio  
President