



Industrial Energy Consumers of America

The Voice of the Industrial Energy Consumers

1776 K Street, NW, Suite 720 • Washington, D.C. 20006
Telephone (202) 223-1420 • www.ieca-us.org

April 8, 2020

The Honorable John Barrasso
Chairman
Committee on Environment and Public
Works
U.S. Senate
307 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Thomas Carper
Ranking Member
Committee on Environment and Public
Works
U.S. Senate
513 Hart Senate Office Building
Washington, DC 20510

Re: S. 2754, the “American Innovation and Manufacturing Act of 2019”

Dear Chairman Barrasso and Ranking Member Carper:

Thank you for the opportunity to provide comments for the record regarding S. 2754, the “American Innovation and Manufacturing Act of 2019.” The member companies of the Industrial Energy Consumers of America (IECA) are large and diverse manufacturing companies. Most are energy-intensive trade-exposed (EITE) industries and support U.S. and global efforts to reduce GHG emissions cost-effectively. It is important that climate-related government actions ensure a level playing field for EITE industries with overseas competitors.

The IECA comments do not oppose the bill. They do ask for a provision to be inserted into S. 2754 and raise various concerns for the Committee to consider.

All of the IECA company facilities use refrigerants in industrial-sized chillers as part of their manufacturing processes. Most of the facilities have more than one and each chiller costs millions of dollars. They also use refrigerants in conventional air conditioning units.

Due to the reasons addressed below, IECA requests that a provision be added that will guarantee that sufficient supplies of phased-out HFCs will be available at reasonable costs, so that existing industrial chillers will not be forced to be replaced before their useful life. This is important for several reasons but also because the bill gives the EPA the ability to accelerate the production phase-out. Any refrigerant phase-out should be set at the federal level and not a patchwork of state requirements. Congress should ensure that U.S. manufacturers are not placed on an accelerated phase-out trajectory over other manufacturers in other countries. We request a level playing field. U.S.

manufacturers that compete in global markets will be at a disadvantage and higher costs will reduce competitiveness. China, as an example, should have the same phase-out schedule as the U.S. They do not.

1. IECA supports cost-effective reduction of GHG emissions.

Since 1990, the industrial sector's direct and indirect CO₂ emissions fell by 9 percent and 30 percent respectively, more than any other sector. Manufacturing output increased by 113 percent during the same time period. A tremendous success story.¹

It is not an accident that the sector has achieved such results. Global competition is so fierce that we must drive down energy use to stay competitive. We either win or lose a customer's order based upon fractions of a penny. Many of our global competitors are subsidized by governments and receive energy subsidies and other financial advantages. We do not. Given these realities, it is essential that we phase-out HFCs in a cost-effective manner. With what we know today, the phase-out of HFCs will be more costly than our current options.

2. The companies that support S. 2754 are our suppliers. We are the customer.

Suppliers like higher prices and consumers like low prices. We are reliant upon our suppliers for their products, technologies, and services. As we move forward, we need to be assured that there is going to be adequate supplies available at reasonable costs from multiple suppliers and that there is competition between and among the various suppliers.

3. Cost issues.

We have reviewed the study entitled, "Consumer Cost Impacts of U.S. Ratification of the Kigali Amendment Report Prepared for the Air-Conditioning, Heating, & Refrigeration Institute and the Alliance for Responsible Atmospheric Policy," dated November 9, 2018. Below is the response by IECA companies.

- a. The new heat transfer fluids do not perform as well as existing heat transfer fluids. This means that for existing industrial chillers to achieve the same cooling, units will have to run harder, using more electricity thereby increasing electricity costs and increasing GHG emissions. The less energy efficient refrigerants would make new chiller units more capital intensive with higher operating expense. IECA companies recognize that the increase in electricity costs is in conflict with the study's findings.

¹ Total Energy, U.S. Energy Information Administration, https://www.eia.gov/totalenergy/data/monthly/pdf/sec2_9.pdf and Value Added, U.S. Bureau of Economic Analysis

- b. The study only looks at front-end economics and not total system costs. Using a less efficient heat transfer fluid often requires increased capital expense to upgrade back-end equipment, such as, requiring more compressor capacity, which in turns increases electricity costs. Other capital equipment cost examples include additional storage for refrigerants, raw materials and products, replacement of other secondary material handling equipment such as other pumps, and replacement of other condensing equipment such as distillation column overhead condensers.
- c. Industrial chillers are relatively capital-intensive and have a life span that lasts decades. We should avoid having to prematurely replace chillers.
- d. IECA recommends a study that examines the lifecycle costs and benefits for large industrial chillers.

4. Recommended treatment for industrial size chillers.

S. 2754 sets a schedule for phasing down production and imports of HFCs.

IECA requests that a provision be added to the bill that will guarantee that sufficient supply of phased-out HFCs will be available at reasonable costs so that existing industrial chillers will not be forced to be replaced before their useful life to minimize economic impacts to manufacturing. Existing industrial chillers should be replaced at the end of their useful life or by the timeline in the international agreements that countries the U.S. competes with will be following.

This means that refrigerant producers would be required to hold sufficient inventory to supply industrial chillers. New chiller units should use the new refrigerants. This dual approach incentivizes HFCs and equipment producers to provide combined services to create incentives for manufacturing companies to economically make conversions sooner than the 2035 date.

Section 7, Accelerated Schedule, is of concern because it gives EPA the ability to accelerate the phasing down schedule independent of the timetable set in S. 2754 of the Kigali Amendment.

5. Perspectives on the Kigali Amendment.

The Kigali amendment to the Montreal Protocol has a goal to reduce HFC use by 85 percent by 2047. The phase-out schedule in S. 2754 is much faster and requires an 80 percent reduction by 2035.

First, there is absolutely no question that if the world can economically produce refrigerants that can reduce the threat of climate change, it should do so.

Second, all international agreements must provide a level playing field for U.S. manufacturers, who compete with foreign competitors. When we compete and win, we create jobs in the U.S. *We ask that Congress fight for us to ensure that our major competitors have the same compliance schedule as U.S. manufacturers in all international agreements.*

Since the Montreal Protocol of 1987, many of the countries who were classified as developing countries have become major manufacturing powerhouses with equal technology and capabilities to U.S. manufacturers. It appears that the Kigali Amendment does not reflect this new reality. As a result, the agreement delays phase-out to countries in groups two and three that are major producers or consumers of refrigeration-related equipment according to the study cited below.

Please refer to the report, "Economic Impacts of U.S. Ratification of the Kigali Amendment," which was prepared for the Air-Conditioning, Heating, & Refrigeration Institute and the Alliance for Responsible Atmospheric, dated April 19, 2018.

- Table 3.2, Top Sources of Imports for HVACR and Related Equipment, 2016.
- Figure 3, Top Sources countries for Total Imports of HVACR and Related Equipment, 2016.
- Figure 3.3, Top Destinations for U.S. Exports of HVACR and Related Equipment, 2016.

In reviewing these tables, the Committee will find that there are a substantial number of countries that are major producers of HVACR and related equipment that are in groups two and three of the Kigali Amendment. From a U.S. jobs and competitiveness perspective, any country who is already a large producer (job creator) or consumer, should have the same schedule to shift to new refrigerants as the U.S. Most notably is China, India, Mexico, Malaysia, Thailand, Asia (other), Brazil, who are all major competitors with U.S. manufacturers.

We look forward to working with the Committee as you consider the costs and benefits of the legislation.

Sincerely,

Paul N. Cicio
President
1776 K Street, NW
Suite 720
Washington, DC 20006

pcicio@ieca-us.org
202-223-1661

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.0 trillion in annual sales, over 4,000 facilities nationwide, and with more than 1.7 million employees. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration 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. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, brewing, independent oil refining, and cement.