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

September 28, 2021

The Honorable Charles E. Schumer  
Majority Leader  
U.S. Senate  
Washington, DC 20510

The Honorable Nancy Pelosi  
Speaker of the House  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Mitch McConnell  
Republican Leader  
U.S. Senate  
Washington, DC 20510

The Honorable Kevin McCarthy  
Republican Leader  
U.S. House of Representatives  
Washington, DC 20515

***Re: A Carbon Border Adjustment Mechanism: Must be operational before leveling carbon-related costs on U.S. manufacturing***

Dear Majority Leader Schumer, Speaker Pelosi, and Republican Leaders McConnell and McCarthy:

On behalf of the Industrial Energy Consumers of America (IECA), whose membership are energy-intensive trade-exposed (EITE) manufacturing companies, we urge you to not impose direct or indirect climate-related costs onto U.S. manufacturing, until a carbon border adjustment mechanism (CBAM) is in place and operational. It will take several years to do so. Imposing costs without an enforceable CBAM will result in GHG leakage and shift manufacturing production, jobs, and GHG emissions offshore, which achieves nothing environmentally. This is too important to not advance a CBAM through regular order. The manufacturing sector employs 12 million people and will be potentially negatively impacted if we do not get this right.

As the U.S. and the world takes action to address climate change, it is essential to ensure a level playing field for U.S. manufacturing and especially EITE industries who compete globally. Establishing a CBAM is the best way to do so. A CBAM would impose a carbon fee on the carbon intensity of the imported products equal to the total climate costs imposed on equivalent U.S. manufacturing products, and rebate climate costs on U.S. exports.

Since 1990, U.S. manufacturing has reduced CO<sub>2</sub> emissions by 23% more than any sector, while manufacturing gross output increased by 112%.<sup>1</sup> Even more outstanding is that U.S. manufacturing direct and indirect energy consumption has been flat for 50 years.<sup>2</sup>

Examples of direct and indirect costs that get passed onto energy consumers are carbon taxes, climate-related fees (methane fee), and a national Renewable Portfolio Standard (RPS), such as the Clean Electricity Payment Program.

There are three CBAM requirements that must be in place before imposing new climate-related energy costs onto U.S. manufacturing.

1. The U.S. Department of Commerce (DOC) must create regulations, fund, and enforce compliance.
2. Importers are required to provide third-party validation of their product's carbon intensity. The country of origin must enforce third-party validation of product carbon intensity.
3. The proposed CBAM must be approved by the World Trade Organization (WTO).

We look forward to working with you to establish an effective carbon border adjustment mechanism that gives U.S. manufacturing a level playing field and allows us to create jobs within the U.S. and not send them overseas.

Sincerely,

Paul N. Cicio  
*Paul N. Cicio*  
President & CEO

cc: U.S. Senate  
U.S. House of Representatives

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*The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.1 trillion in annual sales, over 4,200 facilities nationwide, and with more than 1.8 million employees worldwide. 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*

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<sup>1</sup> Source: Monthly Energy Review, U.S. Energy Information Administration (EIA); U.S. Bureau of Economic Analysis (BEA)

<sup>2</sup> U.S. Energy Information Administration (EIA)

*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.*