Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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TESTIMONY

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON ENERGY AND COMMERCE

TESTIMONY OF

PAUL CICIO

INDUSTRIAL ENERGY CONSUMERS OF AMERICA

REGARDING

"LEGISLATIVE HEARING REGARDING THE AMERICAN CLEAN ENERGY AND SECURITY ACT"

WASHINGTON, DC

APRIL 22, 2009

Chairman Waxman, ranking member Barton, members of the committee, The Industrial Energy Consumers of America is the only trade association in the United States whose member companies are exclusively from the manufacturing sector and energy intensive. Our companies employ over 850,000 nationwide.

Manufacturing is the only sector of the economy that has a long history of significant investment in energy efficiency. Our GHG emissions are only 2.6 percent above 1990 levels while other sector emissions are up an average of about 30 percent.

We provide the majority of cogenerated electricity for the country which is over 100% more energy efficient than electric utility production. We are the nations' leaders on the use of recycled steel, aluminum, glass and paper which is also extraordinarily energy efficient.

Our products provide the building block materials necessary to grow the economy and reduce GHG emissions when used by our customers.

We are a model of doing the right thing for business and the environment. Unfortunately, we do not see provisions in the bill that either reward us for our past energy efficiency actions, use of CHP or recycling or encourage us to do more, a short coming of the bill.

1. Legislative provisions that are designed to preserve domestic competitiveness of the industrial sector and prevent movement of jobs to offshore locations will create retaliatory trade actions. Neither Congress nor the EPA can effectively regulate our offshore competitors through their actions.

2. We should not impose costs unilaterally on US manufacturing. A global agreement that addresses the industrial sector uniformly and in the context of fair trade and increasing productivity is the only potential way to avoid job losses.

3. US demand for our products will continue - it is just a question of whether they will be supplied domestically or imported.

We compete in a global market place where pennies on the dollar can determine whether we win or lose to international competition. From 2000 to 2008, imports are up 29 percent and manufacturing employment fell 22 percent, a loss of 3.8 million jobs. These numbers would indicate that we are losing.

4. The provision entitled “Preserving Domestic Competitiveness” provides for 85% of the cost of allowances. Without 100 % allowances and without reimbursement for the higher cost of natural gas and electricity, we will lose competitiveness.

5. Increasing our GHG costs before comparable costs on placed on our competitors will put competitiveness at risk. Countries like China and India have said they will not jeopardize their competitiveness and neither should we.

Congress must understand that when manufacturers from developing countries engage in international trade, they no longer have developing country excuses for not meeting comparable GHG reduction requirements and costs. Many of them are world class competitors using the latest technology and are owned by their governments or are subsidized.

6. Reducing our nations’ GHGs from about 7 billion tons to 5 billion tons in a relatively short time without a readily abundant supply of reliable, low cost and low carbon energy will increase energy prices significantly. Energy efficiency and renewable energy will help but not close the gap.

CCS and nuclear will not be contributors over the next 10 years which means the power sector will be dependent upon natural gas for power generation. Expansion of renewable energy means electric utility companies will be required to build natural gas fired back up plants.

It is extremely important to note that natural gas fired power generation sets the marginal price for electricity. The implications are significant. As demand for natural gas goes up, prices will go up which will also increase the price of electricity across the country. A double hit to consumers.

Natural gas demand by the power sector has grown by 28% since 2000 while domestic natural gas production has increased only 7%.

Thank you.