

Summary of Testimony of Todd Elliott
General Manager, Acetate
Celanese Corporation
“Legislative Hearing on H.R. 2250, the EPA Regulatory Relief Act of 2011”
Before the Subcommittee on Energy and Power of the Committee on Energy and Commerce

September 8, 2011

Celanese Corporation, our Acetate business, and our Narrows, Virginia Acetate facility support H.R. 2250 for the following reasons:

- It extends the compliance deadline to five years, which provides industry with enough time to identify and implement appropriate and economically viable compliance strategies and control options.
- It requires EPA to establish coordinated and consistent emission standards that can be achieved by regulated entities.
- It provides greater certainty for regulated industries that burn materials for energy recovery.

In addition, although not specifically addressed in H.R. 2250, our Acetate business and all Celanese businesses encourage the inclusion of curtailment provisions in the Boiler MACT and Area Source rules. Such provisions would give industry flexibility to use alternate fuels during curtailment periods to avoid paying excessive fuel prices or restricting operations.

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Chairman Whitfield, Ranking Member Rush, and Members of the Subcommittee, thank you for allowing me this opportunity to testify before this Subcommittee on a topic of substantial importance to my company and the manufacturing sector. My name is Todd Elliott, and I represent Celanese Corporation. I am also here on behalf of the Industrial Energy Consumers of America, a non-partisan trade association with \$700 billion annual sales and more than 725,000 employees nationwide.

I am the general manager for our global Celanese Acetate business. Acetate is a fiber and filtration media made from acetic acid and wood pulp and used by consumer companies worldwide. I have worked for Celanese in a variety of capacities for more than 23 years.

Celanese Corporation is an American chemical company with a worldwide presence and workforce. We are a global technology leader in the production of specialty materials and chemical products used by most major industries and in consumer applications worldwide. Our products are essential to everyday living and are manufactured in all major regions of the world.

Celanese is based in Dallas, Texas, with more than 7,250 employees worldwide. Our Acetate fibers manufacturing plant in Narrows, Virginia has been in operation since 1939 and is the largest employer in Giles County. The facility currently employs more than 550 skilled workers and an additional 400 contractors.

The chemical industry is highly regulated and facilities are subject to myriad overlapping environmental regulations. The Narrows, Virginia Acetate facility operates seven coal-fired boilers and six other boilers and furnaces that burn natural gas. The site is impacted by the Boiler MACT and by the

cumulative impacts of other state and federal regulations that, when combined, add significant costs.

While we fully intend to comply with this regulation, it is very important for the Congress and the EPA to understand that we compete in a global market place. If our costs become too high, we lose competitiveness and jobs. We encourage you to pursue cost-effective regulations and help create a US manufacturing renaissance and the jobs our nation so badly needs.

Over the past decade, the Boiler MACT has been through multiple iterations. Despite this, industry will have to make substantial business decisions about future compliance strategies without sufficient regulatory certainty about what would be required by the rule.

My remarks today will focus on ways in which H.R. 2250 addresses industry's concerns with the Boiler MACT and directs EPA to develop requirements that are more reasonable but still will achieve the objectives of the rule.

First: The Three-Year Compliance Deadline in the Boiler MACT is Unreasonable and Unachievable

The current rule essentially requires boilers and process heaters at major facilities to comply with stringent new air emission standards for hazardous air pollutants within three years. Celanese has undertaken complex and expensive engineering studies to identify the technical and economic impacts of various options for complying with the Boiler MACT. We believe that we will need either to add emissions controls to our existing coal-fired boilers or to convert those boilers to natural gas. These alternatives would require a significant investment of capital, time and personnel resources and could necessitate an expensive extended plant outage while changes are implemented. This uncertainty and the potential business disruption pose a significant financial burden on Celanese and to the entire industrial sector that are impacted by this regulation. It is for this reason that H.R. 2250 is needed. H.R. 2250 would provide greater flexibility and more time in which to come into compliance.

The three-year compliance window is too short of a time period to install the required controls or convert to natural gas. We cannot design, install, and commission emission controls on our existing coal-fired boilers within three years. This is particularly true because third party resources with the expertise to design and install these controls will be in high demand as multiple boiler rules are being implemented in a short period of time by both the industrial and electric utility industries. Together, these industries have thousands of boilers that will require changes all at the same time.

With respect to conversion to natural gas, the facility's existing natural gas pipeline is too small to deliver enough natural gas to meet the anticipated demand. Prior to operating new natural gas boilers, we would need to secure new natural gas sourcing and pipeline delivery contracts. This is particularly difficult for a facility like ours which is located in a rural and mountainous area. Then, a new natural gas pipeline must be designed, permitted and constructed. This alone would take at least three years, particularly given that securing environmental permits, acquiring land and meeting construction schedules are often subject to forces beyond our control.

Once natural gas is available to the facility, it could take another year to transition from coal to natural gas to avoid a complete facility shutdown and the associated lost revenue. The Narrows facility operates seven coal-fired boilers. The coal-fired units would have to be decommissioned and the gas-fired boilers brought on line in a step-wise fashion to avoid significant loss of production capacity. As with the first option, we fear that the resources needed to safely and properly commission the new natural gas boilers on a compressed schedule will not be available.

Regardless of what option we choose, we cannot achieve compliance within three years. Extending the Boiler MACT compliance deadline to five years as proposed in H.R. 2250 would help ensure that Celanese and the manufacturing sector has adequate time to meet the new air quality standards without forced facility shutdowns or inadequate resources to ensure compliance.

Second: The Emission Standards Must Be Achievable in Practice

The current rule does not consider whether multiple emissions standards are achievable realistically and concurrently, nor does it adequately address the variability of fuel supply or the real-world challenges of compliance with multiple standards at the same time. H.R. 2250 takes a more reasoned approach that emission standards must have been met in practice, concurrently, and on a variety of fuels, before they are implemented.

As an example, some of our boilers at the Narrows, Virginia facility were identified by the Environmental Protection Agency as top-performing units and were used to set the proposed regulatory standards for hydrochloric acid and mercury emissions. Not even these top-performing units, however, will meet the emissions standards for both mercury and hydrochloric acid simultaneously without installing costly emission controls. We have identified the type of coal that would meet the mercury standards, but it would not allow us to meet the hydrochloric acid standards. Other types of coal would meet the hydrochloric acid standards but not the mercury standards. Thus far, we have not been able to find a single type of coal that would reliably meet both standards at the same time. Moreover, if we do identify a coal that would meet both standards simultaneously, our dependence on that particular fuel supply would severely limit our ability to competitively purchase fuels.

The current rule presumes that all coals are the same, but they are not. For example, coal within the same mine and seam varies in constituents, which will have a direct correlation to air emissions. Furthermore, if a compliant coal is located, demand from many coal users will increase and drive prices to a point where it will no longer be a viable option.

For these reasons, Celanese supports the provisions in H.R. 2250 that require EPA to establish integrated and consistent emission standards that can be achieved concurrently and consistently on the same emissions unit.

Third: Ensure Certainty Regarding Industry's Energy Recovery Practices

Energy recovery is vital to the petrochemical industry because it reduces operating costs, reduces emissions of air pollutants and conserves natural resources. Celanese operates boilers and process heaters to generate useful heat, energy and steam by utilizing many different types of fuels, including natural gas, and other materials from our processing units. At our Narrows, Virginia Acetate site, for example, we burn hydrocarbon based waste gases for energy rather than dispose of them.

EPA recently issued written guidance favoring combustion of waste gases as fuel. H.R. 2250, however, puts this policy into law. It gives industry greater certainty that boilers may continue to recover energy from process gases without being subject to burdensome and cost-prohibitive regulations that govern burning solid wastes.

Additionally: Curtailment Provisions in the Boiler MACT and Area Source Regulations Unreasonably Limit Industry's Ability to Operate during Periods of High Demand or Raw Material Shortages

Our industry is often required to meet production demands during periods of natural gas supply shortages that are primarily the result of limited regional pipeline capacity. In some parts of the country with colder weather, like Giles County, these shortages occur more frequently when the natural gas supply does not meet residential heating demand. During these periods, natural gas companies use severe financial penalties to encourage industry to curtail industrial natural gas use. During curtailment, industries typically use an alternative fuel, such as distillate oil. The current Boiler MACT and Area Source rules prevent industry from combusting alternate fuels during curtailment periods except on the rare occasions when the supply of natural gas is completely cut off for reasons beyond the control of the facility. By making it cost prohibitive to burn alternative fuels, the current rule would force industry either to pay excessive prices for natural gas or curtail production.

Although not specifically addressed in H.R 2250, Celanese and the Industrial Energy Consumers of America encourage the modification of curtailment provisions in the Boiler MACT and Area Source

rules to define curtailment as a period during which the use of natural gas at an affected facility is halted, restricted, or penalized for reasons beyond the control of the facility. Such modifications would give industry flexibility to use alternate fuels during curtailment periods to avoid paying excessive fuel prices or restricting operations. See the May 20, 2011 Council of Industrial Boiler Owners Petition for Reconsideration and American Chemistry Council Petition for Reconsideration for additional details for this issue and others (Docket No. EPA-HQ-OAR-2002-0058).

In Summary, we support H.R. 2250 for the following reasons:

- It extends the compliance deadline to five years, which provides industry with enough time to identify and implement appropriate and economically viable compliance strategies and control options.
- It requires EPA to establish coordinated and consistent emission standards that can be achieved by regulated entities.
- It provides greater certainty for regulated industries that burn materials for energy recovery.

In addition, we encourage EPA to allow regulated industry greater flexibility to utilize alternate fuel sources during periods of curtailment or supply shortage.

On behalf of Celanese and our Narrows, Virginia Acetate facility, I thank you for the opportunity to provide these comments. Thank you very much.