

Statement to the House Energy and Commerce Subcommittee on Energy and Power

By Mr. Jim Pearce
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Summary

1. FMC is a diversified chemical company manufacturing products for the food and pharmaceutical industries, for lithium batteries and energy storage. Our FMC chemistries are used in a range of industrial uses, and in exciting new applications to improve the environment. FMC is the world's largest producer of natural sodium carbonate, better known as "soda ash." The largest use of soda ash is in glass manufacturing.
2. The U.S. soda ash industry is a prime example of how government trade and lands policies can work to help sustain a vital US manufacturing base as the world's low cost supplier. We employ over 2100 people and are announcing job growth.
3. FMC has improved the energy efficiency of our operations by 10% over the past 10 years. We continue to drive improvements in operations and energy utilization using both internal and external resources.
4. We currently export 52% of what we produce. Said another way, for every two American soda ash workers, one is directly attributable to sustaining our export growth. Our nearly one billion dollar contribution to the balance of trade, which we expect will continue to grow, is helping meet the President's export growth goal.
5. The current US approach to regulating greenhouse gases not only fails to incentivize us to achieve greater energy efficiency, but will lead US natural soda ash producers to lose significant business to our off- shore rivals who produce soda ash synthetically, and with an average of 30% greater greenhouse gas emissions per unit produced.

Testimony

Mr. Chairman; Ranking Member Rush, and, Members of the Committee, my name is Jim Pearce.

I am the Manufacturing Director of the FMC's Alkali Division. Thank you for holding a hearing on this important topic.

FMC is a diversified chemical company manufacturing products for the food and pharmaceutical industries, for lithium batteries and energy storage. Our FMC chemistries are used in a range of industrial uses, and in exciting new applications to improve the environment.

In Green River Wyoming, where I live and work, we are the world's largest producer of natural sodium carbonate, better known as "soda ash." The largest use of soda ash is in glass manufacturing, including food, juice, beer, and wine containers; fiberglass insulation; and flat glass for autos, houses, and buildings. It is also used in a number of household products; as a water softener; an industrial air pollution control agent and; it is a primary ingredient in powdered home laundry detergents.

In Wyoming, we produce soda ash from naturally occurring trona ore, mined from underground deposits. The four companies that comprise the so-called "trona patch," in Sweetwater County Wyoming employ over 2100 people, account for roughly 90% of the domestic production of soda ash, and 25% of total global soda ash production. In addition, some 100 dockworkers in

Portland Oregon have jobs today because of the growth of soda ash exports. In addition, we estimate an additional 8300 jobs nationwide are directly dependent on our industry.

Mr. Chairman, today American producers are winning the global competition for soda ash business. It is one of the good news stories in US manufacturing. Our industry is a prime example of how government trade and lands policies can work to help sustain a vital US manufacturing base as the world's low cost supplier. We want to keep it that way, and are working hard to maintain our competitive edge by keeping our costs low and our productivity high.

In our energy intensive business, this includes reviewing how we best reduce our energy usage and costs. FMC has long been committed to becoming more energy efficient. In Wyoming we have improved the energy efficiency of our operations by 10% over the past 10 years. We continue to drive improvements in operations and energy utilization using both internal and external resources. As an entire company we have met our commitment to the Chicago Climate Exchange Program reducing our green house gas emissions by 10% by 2010 from 2003 levels. Energy efficiency is a staple of our industry's Responsible Care Program, and to us simply represents smart business.

We believe our U.S. energy policies can also promote US exports by encouraging the sorts of process efficiencies we seek in order to maintain our low cost position. However, the current US approach to regulating greenhouse gases not only fails to incentivize us to achieve greater energy efficiency, but will lead US natural soda ash producers to lose significant business to our off-

shore rivals who produce soda ash synthetically, and with an average of 30% greater greenhouse gas emissions per unit produced.

Mr. Chairman, our jobs growth in the natural soda ash industry is fueled by the expansion of exports. Indeed, the US natural soda ash industry contributes over \$875 million surplus to the overall US balance of trade. Our continued export growth, currently at a rate of 6.55 CAGR over the last 28 years, represents a significant contribution to the President's goal of doubling US exports in the next five years. It also contributes to jobs growth. FMC recently announced we are adding 80 new jobs in Green River, all a result of this export growth. Not many industries in the current economic climate can make these claims.

When we look at what regulations might cost, it is important to understand that FMC and the other domestic soda ash producers cannot "out source" our soda ash business. We cannot move the world's largest and most productive source of soda ash to another country. We need to maintain the competitive edge that allows us to export 52% of what we produce. Said another way, for every two American soda ash workers, one is directly attributable to sustaining our export growth.

Keeping our lead is not something we take for granted, nor has the Congress. For example, the Congress saw fit to reduce the royalties we pay on soda ash realizing that the export increase it would result in would have a beneficial effect on Treasury revenues. Yet, the pressures to remain competitive have grown in recent years. In the late 1980's China was importing soda ash at the

rate of about one million tons per year. But by 2000, they were a one million ton net exporter. Other countries such as Turkey also provide stiff competition for our US industry.

We have serious concerns about the future of our competitive position if required to make non-economic decisions based on domestic regulations that our international competitors will likely not have to comply with. The issues that are driving current US greenhouse gas regulations are not unique to the U.S., but rather international in scope. Thus, we do not understand why, on a unilateral basis, US manufacturers should be required to make fundamental changes to their manufacturing processes -- when less efficient, and higher greenhouse gas emitting, foreign competition is not.

A Southeast Asian glass manufacturer will not buy from a US soda ash producer whose prices are higher simply because the US manufacturer is trying to come into compliance with US regulations. Rather, they will buy from our foreign competition. That makes little sense when today, they can not only buy less expensive US soda ash, but soda ash made in America that is more greenhouse gas efficient than foreign competition.

Mr. Chairman, our industry is committed to increasing its share of the world's growing demand for natural soda ash. Indeed we must, if we are to remain viable. US natural soda ash producers supply all domestic demand – but, domestic demand for soda ash has reduced from approximately 7 million tons per year to 5.6 million tons per year in 2010. And, while we look forward to seeing domestic demand recovery, there remains no foreseeable growth in critical US

markets for flat glass or glass packaging that will lead to future domestic growth. Thus the prospects for growth in our industry and the US jobs our industry supports, hinge on growing our markets offshore.

We remain the most efficient suppliers of soda ash in the world. But we need to continually look at our cost structure, both the costs we control, and those controlled by others, in order to sustain this leadership in the years ahead. If we are to maintain this industry's global leadership role we must partner with federal, state and local governments, and our critical energy and transportation suppliers in new cost sensitive relationships that recognize our mutual dependence on one another. For these reasons we would hope that Congress would take ownership and fully debate energy policies that meet the principles of achieving the goals of energy efficiency in a way that not only maintains jobs but grows them along with exports.

We commend the Congress to take the long view in this matter and understand that acting in isolation will place the domestic natural soda ash industry at a significant competitive disadvantage, diminish our markets, and result in domestic job loss – all the while increasing the overall output of greenhouse gas globally as natural soda ash is replaced by synthetic soda ash.

As the natural soda ash industry, if we are permitted to continue to drive efficiency and capitalize on the natural advantage of our source material, we should expect to see our industry continue to prosper and add jobs based on export growth.

Thank you for this opportunity and I would welcome any questions you may have.