

**Testimony of Steve Rowlan
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Energy & Power Subcommittee
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I am Steven Rowlan, General Manager of Environmental Affairs for Nucor Corporation. Thank you Chairman Whitfield and Vice Chairman Sullivan for the invitation to testify today on the impact that new greenhouse gas regulations are having on industry and our nation's economy.

Nucor is the largest steel producer and recycler in the U.S. We employ over 20,000 teammates in 23 states and produce steel products for use in roads, bridges, automobiles, appliances, commercial buildings and a range of other markets.

The impact of the Great Recession on the steel industry was swift and severe. In August of 2008, steel capacity utilization was over 90 percent. By January 2009, capacity utilization plummeted to 36 percent. In a mere five months, the industry went from experiencing strong growth and excellent market conditions to the worst economy many of us in the industry have ever seen. Despite how bad the market got, Nucor did not lay off a single worker.

Economic conditions for the steel industry are improving. Capacity utilization has increased and we are seeing a return in demand, however, the strength and duration of the economic recovery remains to be seen. Greenhouse gas regulations are adding to this uncertainty.

U.S. steel producers are in a highly competitive global market that will only get more competitive in the future. We face unfair practices from steelmakers in countries like China, and increasingly, we are not competing against other companies, but against – governments who bring their full weight to bear to ensure the success of their domestic industry through the use of subsidies, generous loans, and other protectionist measures. I'd say that's a pretty strong headwind to compete against. And the uncertainty created by our government's many regulatory proposals only adds to that headwind and diminishes the competitiveness of many U.S. industries.

From an environmental perspective, America is the best place in the world to make steel. Our industry has reduced its energy-intensity by 30% since 1990, and reduced greenhouse gas emissions by 35% over the same time period. This significantly exceeds the Kyoto Protocol targets. In fact, the U.S. steel industry has the lowest CO₂ emissions per ton in the world. What's more, companies like Nucor have made steel the most recycled product. As the nation's largest recycler, Nucor kept more than 17 million tons of scrap metal from cars, appliances and other discarded products out of landfills in 2010. The recycled scrap is then melted down and made into new steel products.

Because greenhouse gas emissions are a global issue, regulation through the Clean Air Act threatens both our competitiveness and the environmental benefit that results from making steel so cleanly in the U.S. Ironically, these very regulations and practices that are intended to improve the environment actually result in increased global emissions as industry leaves our country in favor of a less stringent regulatory climate instead of continuing to operate in the United States.

The problems these regulations create often manifest themselves in the permitting process. Everyone expresses concern about permitting and the impact these rules have on our ability to build industrial projects that create jobs and improve people's livelihoods. However, this is not a new problem. Over time, we have created a system that is comprised of endless reviews, hearings, allegations, lawsuits and continued modeling that has turned our permitting process into a slow, frustrating experience that has eliminated the certainty necessary for the allocation of business capital. This practice is certainly damaging but, the impact it has on our energy supply as generation plant construction projects are continually blocked is an even more pressing issue.

Because of the continual halting of permits for new, traditional sources of energy generation and constant promotion of expensive so called "green" energy, we as a nation are essentially pricing ourselves out of the industrial market. Mechanisms such as the greenhouse gas rules, regional cap and trade programs, renewable energy standards and other permit battles are creating an environment where affordable energy, the lifeblood of industry, is becoming a rare commodity. For example, some states are now faced with energy rates that are double and triple those found in states that are competing with them for manufacturing jobs. For energy intensive industry these cost differences amount to millions of dollars per month in cost disadvantages. Internationally, these facilities then have to compete against foreign companies that benefit from government subsidized energy production and lax environmental standards.

In response to this, people often ask for specific examples of projects going overseas or not being developed because of regulations. The lack of specific examples is often used to support the case for more regulation. That is simply not accurate. The lack of examples is because these locations are typically passed over during the initial evaluation and consequently are never even considered for projects unless all other options fall through. Because of burdensome permitting requirements and rising energy costs, increasingly industrial projects are no longer even being considered for development in the United States.

The impact of these new regulations on capital projects is real. We recently received a permit, under the new GHG rules, for a direct reduced iron facility in Louisiana. This is a \$750 million project that will create 500 construction jobs and 150 permanent ones. It is a great job-creating investment, particularly in this economy. But this project is not as large as the \$2 billion investment we initially intended. Due to the uncertainty created by these regulations, we made the difficult decision to delay the \$2 billion investment, also delaying the creation of 2,000 construction jobs and 500 permanent ones.

The history of this great country is full of innovation. That innovation is typically not the result of government rulemakings and regulations, it is rather in spite of these obstacles. These

regulations threaten to divert human and financial capital away from the research and development we need to invest in developing new energy sources.

In the end, reducing greenhouse gas emissions requires much cleaner forms of energy that do not exist today. Can we create cleaner, economical energy in large enough quantities to meet the demand of commuters, residents, businesses and industry in the U.S.? That will require developing cleaner forms of traditional energy sources, as well as renewable energy, but they must also be economical. This is where we need to focus our efforts.

Steel is part of the solution. Just as steel is essential to the construction, automotive and defense industries, steel is also a key component to our nation's energy infrastructure. Wind turbines, solar panels, transmission lines, nuclear plants and pipelines all require large quantities of steel. Renewable energy and other forms of clean energy are a new market opportunity for steel. Yet we are concerned that these regulations will deem the energy efficient and recycled steel products made here in the U.S. uncompetitive against our global counterparts also wishing to source the emerging clean energy market.

We do not believe that strict environmental regulations help us get to that clean, economical energy future or help us bring back the 25 million jobs we need to get our economy back on track. We support the effort by Congress to stop the regulation of greenhouse gases through the Clean Air Act. We believe regulation of these gases through the Act will impose stiff economic costs, result in little environmental benefit and divert financial resources away from the innovation in energy production required to significantly reduce emissions.