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American Materials Manufacturing Alliance Says Major Changes Needed to Senate EPW Climate Bill to Prevent Job Loss and Emission Migration

WASHINGTON, D.C. – The American Materials Manufacturing Alliance (AMMA), a group of energy-intensive, trade-exposed industries (EITEs) that includes The Aluminum Association, the American Chemistry Council (ACC), the American Forest & Paper Association (AF&PA) and the American Iron and Steel Institute (AISI), submitted a letter to all members of the U.S. Senate outlining major changes needed to the Senate Environment and Public Works (EPW) Committee's "Chairman's Mark" of climate legislation, S. 1733.

Substantial changes to S. 1733 are needed to prevent energy-intensive industries from being placed at a significant competitive disadvantage in the global marketplace. The letter states that "a basic principle of climate policy is that it should not undermine the competitive position of U.S. manufacturers in the global marketplace" and that "unless the Senate makes major changes to improve the emission allowance provisions and address energy cost impacts" in S. 1733, its provisions could "trigger major job loss and emission migration to unregulated economies." The full letter is available here.

"We believe climate policy should identify all costs imposed on U.S. manufacturers and provide mechanisms to offset those costs until competing countries have commensurate greenhouse gas reduction policies," the letter continued, "or until new manufacturing technologies have been discovered and deployed."

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AMMA's letter indicates that provisions of S. 1733 puts U.S. competitiveness at risk because the allowances provisions currently drafted are grossly inadequate. While increasing the allowance pool in the first two years and creating a supplemental reserve are important first steps, the bill reflects a severe last-minute reduction in allowances allocated to EITEs and a steeply declining cap required by the 20 percent emissions reduction target in 2020. The number of allowances dedicated to EITEs in S. 1733 has decreased substantially from the already insufficient allowances in the House-passed bill, H.R. 2454. By 2020, S. 1733 would allocate EITEs 663 million fewer allowances and more than 2 billion fewer through 2034.

In addition, S. 1733 does not address the likelihood of greatly increased energy costs. By definition, energy-intensive industries are more sensitive to energy costs than other sectors of the U.S. economy. Additional provisions must be added to climate legislation to deal with energy cost uncertainties and should be structured to address large increases in energy costs if they occur. The bill also needs to provide specific language relating to the Clean Air Act pre-emption, as the House bill does. Otherwise there will be a dual compliance structure for U.S. industry, the letter states.

Finally, the letter points out that S. 1733 does not go far enough to establish price certainty for carbon allowances, which is important for manufacturers to make long-term investment decisions.

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