



Leo W. Gerard
International President

June 2, 2008

United States Senate
Washington, D.C. 20510

Dear Senator:

On behalf of the 850,000 members of the United Steelworkers union (USW), I write to express our strong concerns with the Boxer Substitute Amendment to the “Lieberman-Warner Climate Security Act (S. 3036)”.

For over 40 years, the United Steelworkers has played a key role in advocating for and helping to shape important advances in environmental policy. We have worked closely with environmental, community, and business groups on the Clean Air Act, the Toxics Release Inventory, the Occupational Safety and Health Act and other issues that involve the safety and health of the environment in which our members and their families work and live.

In the days ahead, the Senate will be considering legislation to deal with global climate change, an issue our union identified in 1990 as the most pressing environmental challenge facing our nation. It is critical to our members and their communities that we work closely with Congress to develop solutions that will reduce our nation’s greenhouse gas emissions while revitalizing our domestic manufacturing industry by encouraging investment, and job creation in existing industries as well as in the developing “green” economy. However, we also believe that for a global warming regulatory system to be effective, it must embody certain principles that will ensure that the transition to a clean energy economy does not devastate the job base of our communities.

We applaud Chairwoman Boxer and Senators Lieberman and Warner on the improvements that have been made to key areas of S. 3036, including strengthening the worker transition assistance program, creating a “Renewable Energy Worker Training Program” and increasing financial relief to consumers. We also commend those improvements made under Title VIII which would provide funding for the construction and retrofitting of efficient buildings as well as provide economic incentives for manufacturers that achieve high efficiency gains at their facilities. The USW, however, believes that additional improvements are absolutely necessary.

As North America’s largest manufacturing union, the USW is the dominant union in many of the most energy intensive industries in the country, including steel,

aluminum, pulp and paper, rubber, chemicals, cement, oil refining, brick and glass. Many of these industries have experienced devastating job loss as a result of unfair trade from nations with weak labor and environmental standards. As a result, many facilities have shuttered their doors in the U.S. and re-opened in nations where they can operate under cheaper and dirtier conditions, which has only exacerbated the problem of global warming. Any legislation that Congress enacts must not encourage the movement of production and jobs to these nations as it would only add to the challenges the world faces.

Any climate change legislation must contain strong provisions dealing with international competitiveness in order to ensure that nations which lack as strong an emissions reduction program as the U.S. do not receive an undue advantage for polluting more. While Title XIII in the Boxer Substitute makes improvements in this area, we believe that it must be strengthened in the following ways to ensure that American manufacturers and workers will not be competitively disadvantaged under the new climate regime:

- **Comparable Action:** Foreign countries should only be excluded from the allowance requirement when they adopt climate measures truly comparable to those undertaken in the United States. Under the Boxer Substitute, foreign countries may be exempted from the allowance requirement based on a standard that focuses on their efforts, not their actual achievements, in limiting emissions. The Boxer Substitute would allow for foreign exemptions based upon adoption of, among other things, state-of-the-art technologies – whereas domestic producers undertaking similar actions still must bear the full cost of all of their emissions. This provision should be amended to make clear that imports are subject to the allowance requirements unless the foreign country, on a nationwide basis, mandates *and achieves* a percentage reduction of greenhouse gas emissions that is substantially equivalent to what has been mandated and achieved in the United States. This ensures that all products sold in the U.S., whether produced here or abroad, share in the commitment to solve the climate change problem.

We would like to make clear that we are not trying to compel other countries to adopt measures identical to those of the U.S., nor to place limits on their development. We do, however, strongly believe that climate change regulation in the U.S. must not become a tool which provides other countries with a cost advantage in the U.S. market for energy intensive products. Such a perverse outcome would directly harm U.S. workers AND greatly diminish the effectiveness of any international climate change regime.

- **Allowance Requirements:** Foreign products sold in our market should be subject to the same allowance requirements as those imposed on U.S.-made products. The Boxer Substitute creates an “economic adjustment ratio” that can be applied to lower the allowance obligation imposed on imports. Again, the standard would allow those producing in countries with lax standards to lower or escape obligations where they employ “state-of-the-art” technologies – even

though such actions by U.S. producers do not relieve them of any obligations under the bill. This provision should be omitted from the Boxer Substitute to create parity in the allowance obligations of foreign and imported products.

- **Simultaneous Action:** Foreign products sold here should be subject to allowance requirements at the same time as those placed on U.S.-made products. The Boxer Substitute would place no allowance requirements on imports until the third year of the domestic program. Given the speed with which Chinese and other foreign producers have caused massive damage to import-sensitive industries in the U.S., this delay could cause untold harm to the U.S. economy, workers and companies. The deadlines in the Substitute should be moved up to apply foreign allowance obligations at the same time they are applicable to domestic producers.
- **Downstream Products:** While the Boxer Substitute would allow for the inclusion of some downstream products under the program, it does not require that importers obtain allowances to account for emissions associated with inputs (primary products) used to make such downstream products. By only requiring allowances for the direct emissions and electricity used to make the downstream product itself, the key source of carbon emissions would be ignored, thus rendering this provision largely ineffectual. This provision should be amended to make clear that importers of downstream products must obtain allowances to account for emissions associated with inputs used to make the products.
- **Exemptions:** Exemptions for poor countries should be based on development instead of size. The Boxer Substitute would automatically exempt any country that accounts for less than 0.5 percent of global emissions. The intended purpose of this is to ensure that poor nations are not unnecessarily burdened. We share the goal of addressing development problems, but to address this, exemptions should be based on assessment of development instead of mere size. Exempting the least developed of developing nations, as determined by the United Nations, ensures that poor countries are not unduly hampered in their development, while also ensuring that significant exporters to the U.S. are not unnecessarily excluded just because they happen to be small in size.
- **Foreign Allowances:** While U.S. entities are restricted in their ability to utilize allowances from foreign cap-and-trade programs or offset credits (generally restricted to no more than 15 percent of the overall allowance requirement), the Boxer Substitute would allow importers to utilize such foreign instruments without limitation to satisfy their obligations in the U.S. The Boxer Substitute should be amended to apply to importers the same limitation on the use of foreign allowances and credits (15 percent) that is applied domestically.

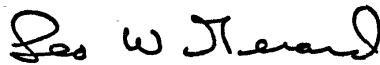
Lastly, an exemption for process gas emissions in the iron and steelmaking process is necessary for the U.S. steel industry and its workers. Currently there is no technology available to reduce the emissions of process gases created during the conversion of taconite ore into iron and steel in blast furnaces and basic oxygen furnaces. The Canadian government has recognized the absence of process gas

reducing technology and has therefore exempted process gas emissions for which there is no current technological alternative under their climate regulations. The cement and lime industries are similar to the steel and iron-making industries with respect to process gas emissions and have received an exemption for their process emissions under the Boxer Substitute. The steel industry has unfortunately not received the same treatment. The USW believes this is an oversight that must be remedied.

The purpose of the Boxer Substitute is to establish an economy-wide cap-and-trade system. Exempting process gas emissions from the steel and iron-making process would **not** exempt the steel industry from complying under this system for the balance of emissions associated with making steel products. Under S. 3036, iron and steel makers would still have to purchase and submit credits for the emissions that result from the direct use of the fossil fuels in their facilities. Depending on the exact configuration of an integrated steel mill, process emissions account for 40-60% of a facility's total emissions. Our union has worked with the steel industry through a labor-management partnership to substantially reduce both energy consumption and carbon emissions from the steel process, and we will continue working with them in the future.

In closing, let me reiterate the USW's commitment to work with Congress to develop policy that will combat global warming without putting critical U.S. industries and workers at a competitive disadvantage. We strongly urge you to consider the concerns raised in this letter as they are critical not only for our members and the industries that employ them, but also to effectively addressing global warming.

Sincerely,

A handwritten signature in black ink that reads "Leo W. Gerard". The signature is written in a cursive, slightly slanted style.

Leo W. Gerard
International President

LWG/pak