



## SPECIALTY STEEL INDUSTRY OF NORTH AMERICA

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### **SPECIALTY STEEL INDUSTRY OF NORTH AMERICA POSITION ON CLIMATE CHANGE**

The member companies of the Specialty Steel Industry of North America (SSINA) are keenly interested in “climate change” policy and its potential effects on energy prices and industry competitiveness. For this reason, SSINA has voluntarily supported the Department of Energy’s Climate VISION program, including reporting on energy consumption since the U.S. steel industry joined the program in 2002.

Specialty steel production is necessarily an energy intensive process. SSINA members produce high grade stainless and other specialty steel products by using electricity to melt scrap metal and other raw materials in an electric arc furnace (EAF). Carbon and energy are essential to the production of steel and represent the primary sources of greenhouse gas (GHG) emissions from specialty steel manufacturers. Energy comprises about 10-20 percent of the total cost of specialty steel production

SSINA members have a proud history of continually exploring ways to become more energy efficient. This makes sense from both an economic and environmental perspective. As a result, over the last several decades, SSINA members have made major reductions in energy consumption and, accordingly, GHG emissions associated (both directly and indirectly) with the manufacture of specialty steels. EAF steel production is the most energy-efficient segment of the steelmaking industry and remains several times more efficient than competitor products, such as aluminum. Since 1990, the U.S. steel industry has reduced its energy intensity per ton of steel shipped by 28 percent.

The energy-efficient production of specialty steels is only part of the story, however. Perhaps more important is the fact that, as a consequence of their enduring quality, specialty steels help produce more effective and long-lasting products, ultimately resulting in the consumption of fewer natural resources and energy.

As legislators and the public at large debate the need for and potential structure of a GHG regulatory system, SSINA urges consideration of the following:

- ▶ SSINA supports further research into technological and process improvements to reduce GHG emissions and improve energy efficiency. Only through the development and utilization of technologies that can economically capture or reduce GHG emissions will the domestic specialty steel industry remain vibrant and competitive.
- ▶ Any program to restrict GHG emissions must be “trade neutral” to prevent market distortions from non-participating countries. Policy must avoid marketplace distortions and not cause a shift in production to less environmentally progressive mills in

“developing” countries (that have thoroughly developed steel industries) in order to meet U.S. steel consumption needs. Such a development would have the perverse effect of increasing global GHG and other emissions. SSINA members are among the most energy-efficient producers of specialty steels in the world and have already made substantial reductions in GHGs emitted per ton of steel produced through substantial capital investment in technological and process improvements. This success should not be undermined by shortsightedly imposing mandatory GHG controls that result in providing an unfair competitive advantage to producers in other countries. Imported products should be required to meet the same standards (including with respect to carbon intensity) as domestically produced specialty steel.

- ▶ Climate change policy needs to recognize the need for a growing U.S. economy. Significant additional reductions in total GHG emissions by specialty steel producers are not possible without substantially reducing the production of specialty steels that are vital to our country’s economy and security. For this reason, SSINA supports emission comparisons based on energy intensity or emissions efficiency (total amount of GHG emissions per amount or value of steel produced). This is the only fair measure of production efficiency.
- ▶ SSINA concurs with the American Iron and Steel Institute (AISI) and Steel Manufacturers Association (SMA) that sector-based approaches focused on best industry technology practices are the most viable means of achieving substantial improvements in energy-efficiency (and GHG emission reductions) while mitigating potential economic disruptions.
- ▶ SSINA is deeply concerned about current legislative proposals that would impose a cap-and-trade program in the United States. As currently crafted, these proposals do not adequately address the issue of trade neutrality, ensure the need to grow the U.S. economy and preserve the competitiveness of vital industries, or account for the increased energy costs that would result. In addition, the European experience with cap-and-trade – which resulted in distorted internal markets while not generating significant reductions in GHG emissions – should serve as a warning.
- ▶ While policy appears to be shifting toward mandatory regulation of GHG emissions, SSINA encourages policy makers to continue to listen to scientific debate on the magnitude and global warming impact of anthropological sources of GHGs.
- ▶ Given the importance of electricity to specialty steel production, SSINA supports the electricity generating industry’s initiatives to improve its GHG emissions efficiency. SSINA strongly supports the development of alternative and low- and no-emission means of electricity generation, including increased utilization of nuclear power to facilitate the reduction of GHG emissions. Nuclear energy is a practical alternative that will not only reduce all emissions, but also conserve fossil fuel reserves. GHG regulations that affect the electricity generating industry should be examined in light of the effects that such regulations may have on downstream power-consuming industries, such as specialty steel production.

- ▶ The financial impact on market segments of any program to reduce greenhouse gas emissions must be predictable so that companies and markets can react in an orderly manner.

Specialty steels play an important and expanding role in the U.S. economy and touch our daily lives in a wide range of uses. Specialty steels are valued for many applications in today's industrialized economy, including critical national defense needs and applications in aerospace; aircraft; automobiles; appliances; communications, electronic, marine, and power-generating equipment; home utensils and cutlery; construction products; food and chemical processing plant equipment; and medical, health, and sports equipment. In fact, SSINA members produce the materials for turbine blades and other equipment that make possible the efficient production of electricity. Specialty steels are valued for these uses due to their high resistance to corrosion, heat, and abrasion, as well as their exceptional hardness and strength.

SSINA is hopeful that wise climate policy will support, and not undermine, the vitality of the specialty steel industry in the United States.