

TO: FIA MEMBERS

FROM: The Laurin Baker Group, LLC

RE: Status of "Cap & Trade" Emissions Legislation in Congress and Next Steps for FIA Members

The LAURIN BAKER GROUP, LLC is providing the following membership update on the status of the "cap & trade" bill recently passed by the U.S. House of Representatives, how you can figure out if the bill will affect you, and the next steps for FIA membership involvement in the process.

FIA OPPOSES HOUSE-PASSED "CAP & TRADE" BILL

On their last day in town before the July 4th recess, the House of Representatives passed by a very narrow margin (219 to 212) a 1200-page massive energy bill (HR 2454) that includes a "cap and trade" system to reduce greenhouse gas emissions by 83 percent by 2050 by creating a "market" for trading emissions credits. As laudable as the goal of reducing greenhouse gas emissions might be, the "cap and trade" mechanisms in the bill could place energy-intensive U.S. manufacturers like forgers and their steel suppliers at a severe competitive disadvantage for several reasons. If the House-passed bill were to become law: 1) many forgers may find themselves subject to the bill's "cap and trade" limits (see more info on how to figure the impact to your facility below); 2) the cost of natural gas and electricity will increase for all consumers, but particularly for industrial consumers like forgers; and 3) U.S. manufacturers already operating in a fiercely competitive global economy would face an additional massive regulatory burden that many of their international competitors will not face.

Even though the House-passed bill includes free allowances until 2030 for some energy-intensive industries, such as steel, and requires import tariffs beginning in 2020 on products coming into the U.S. from countries that do not maintain carbon regulations on their own industries, these provisions are unlikely to make a difference in the overall cost burdens of the bill. In fact, Goldman Sachs recently reported that the House-passed bill could add as much as \$1 billion to production costs for steelmakers by 2030, the equivalent of a \$10-12 per ton increase, unless imports are equally penalized.

Due to concerns about these potential negative impacts on forgers, FIA convened an ad hoc task force made up of members of the FIA Board of Directors, the FIA Public Policy Committee, and member company technical representatives to review and revise FIA's position paper on energy and climate change - including stating FIA's opposition to HR 2454. [Click here](#) to view/print a copy of the updated position paper that our Washington Representatives are using to communicate FIA's concern and opposition on Capitol Hill for your information.

NOW ON TO THE SENATE:

"Cap and trade" has much more of an uphill fight in the Senate than it had in the House, even though the Democrats now have a filibuster-proof 60 votes. As with the 44 Democrats in the House that voted against HR 2454, Democrats in the Senate from coal and manufacturing states are concerned about the effects of such a plan on their states. Senate Environment and Public Works Chairman Barbara Boxer (D-CA), a strong advocate of "cap and trade" legislation, has announced that her committee will begin work on the "cap & trade" portion of an energy bill in September, but the bill faces the strong opposition of her Committee's Ranking Republican, Jim Inhofe (R-OK). The Senate Energy Committee, chaired by New Mexico Democrat Jeff Bingaman, has already reported an energy bill (without a "cap and trade" provision), and 3 other committees (Finance, Foreign Relations and Commerce) also have an interest in and/or some

jurisdiction on energy and "cap and trade" issues. As we understand it, the Democratic Chairpersons of these Senate committees hope to handle the "cap and trade" issue by allowing the committees of jurisdiction to each report a bill, and then attempt to consolidate those separate bills into a single piece of legislation for the full Senate to consider in the fall. July and August will be the perfect months for FIA's Washington Representative to educate members of the Senate on FIA's concerns, and for FIA members to communicate their concerns to their Members of Congress.

WHAT CAN YOU DO?

In the coming weeks, FIA's Washington Representatives will be educating Senate offices where forgers have a presence on the negative impacts of HR 2454 and similar "cap and trade" measures. In the meantime, **you can help by determining the impact of a "cap and trade" system like HR 2454 establishes on your facility or facilities, and communicate that information to FIA and The Laurin Baker Group for meetings in Washington on behalf of FIA.** E-mail George Layne at glayne@forging.org for a *working excel spreadsheet that will help you understand if your facility would be subject to either the reporting or cap/trade provisions laid out in the bill.* There is a brief summary of the emissions and the thresholds established by HR 2454 at the top of the sheet, followed by example calculations at the bottom. The spreadsheet instructs you to fill in the YELLOW boxes with your facility's specific numbers and then it will automatically generate the appropriate calculations for your facility. If the numbers in the RED boxes are above 10,000 tons, then HR 2454 requires you to report your greenhouse gas emissions, and if the numbers are above 25,000 tons, then the bill would require you to participate in the "cap and trade" system.

Please also **stay tuned for the next Washington ACTION ALERT** when it will be time to voice your concerns to your Members of Congress. Please feel free to contact Charlie Hageman at FIA or The Laurin Baker Group (202-842-5059 or lbaker@thelaurinbakergroup.com) with any questions or comments, and any information that would be helpful in our efforts on Capitol Hill.

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