Statement of  
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Louisiana Field Briefing to Analyze Impacts of EPA’s Upcoming Ozone Rule on Project Development  
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Good morning. I very much appreciate the opportunity to be here today on behalf of the American Chemistry Council to comment on our industry’s concerns with the U.S. Environmental Protection Agency’s (EPA) anticipated proposal to lower the ozone National Ambient Air Quality Standard (NAAQS).

ACC® represents the leading companies engaged in the business of chemistry. We apply the science of chemistry to create innovative products and services that make people’s lives better, healthier, and safer. The U.S. chemical industry is a key element of the economy, providing 793,000 skilled, good-paying jobs across the country. We are among the nation’s largest exporters and investors in research and development. Our advanced materials and technologies include many that help save energy and reduce greenhouse gas emissions.

I. The U.S. Natural Gas Revolution is Powering Historic Investment in Manufacturing

Historically, the U.S. chemical industry has been heavily dependent on natural gas as both a feedstock and a source of energy. Just five years ago, the price of natural gas in the United States was still very high, and there was little prospect of world-class capital investment in the industry.

Now, however, America’s chemical industry is expanding again, made possible by plentiful supplies of natural gas and natural gas liquids from shale formations. Due to our competitive advantage in the cost and availability of energy and feedstock, chemistry companies are building, expanding and hiring in the United States. The business of American chemistry has gained and stands to maintain and expand a sustainable, global competitive advantage because affordable, reliable supplies of natural gas have made U.S. chemical manufacturers among the world’s low-cost producers. It is the most important energy development of the last 50 years.

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1 ACC members apply the science of chemistry to make innovative products and services that make people’s lives better, healthier and safer. ACC is committed to improved environmental, health and safety performance through Responsible Care®, common sense advocacy designed to address major public policy issues, and health and environmental research and product testing. The business of chemistry is an $812 billion enterprise and a key element of the nation's economy. It is the nation’s largest exporter, accounting for twelve percent of all U.S. exports. Chemistry companies are among the largest investors in research and development. Safety and security have always been primary concerns of ACC members, and they have intensified their efforts, working closely with government agencies to improve security and to defend against any threat to the nation’s critical infrastructure.
President Obama’s State of the Union speech on January 28 referenced $100 billion in new investment being made in the United States to take advantage of the shale gas boom. At the time, the overwhelming majority of that investment was in chemical-related manufacturing.

Nearly eight months later, ACC’s tracking of planned investments in our industry has increased to over 194 separate projects worth $124 billion. More than 64% of the new projects are foreign direct investment. Those investments represent a significant in-shoring of chemical manufacturing that will make a significant contribution to broader economic growth, job maintenance and creation, and our national economic security.

II. The Natural Gas Revolution is Powering Investment in Louisiana

The planned investment in U.S. chemical manufacturing is good news for Louisiana. Louisiana’s vast energy resources, skilled labor force, transportation infrastructure and port access make it a very competitive location for chemical investment for decades to come. Of the $124 billion ACC has identified in announced, potential new investment, over $30 billion will be made in Louisiana. The 44 projects destined for Louisiana include new capacity for petrochemicals, organic chemicals, chlor-alkali production, plastic resins, synthetic rubber, and fertilizers – the essential materials that help keep the U.S. economy growing.

ACC anticipates that the investment in Louisiana alone will result in more than 8,000 direct jobs. Because each job in the chemical industry supports a large number of indirect and payroll-induced jobs, we estimate that the new investment will create a total of 70,000 jobs in the State.

In fact, more than 70% of the total investment in chemical-related manufacturing will be concentrated in the Gulf region. We anticipate the economic impact of the investment to be spread throughout the region, in nearly every chain of commerce.

III. Federal Policy Must Protect Investment in the U.S. Chemical Industry

To protect the significant planned investment in chemical manufacturing in Louisiana and throughout the United States, and to ensure that the U.S. chemical industry can create the jobs and products that foster economic growth, we need sound national policy. That includes a sound, balanced national energy policy containing appropriate measures to foster energy development and production.

The tremendous expansion in the chemical industry brought about by natural gas also presents an opportunity to bring about appropriate and responsible governmental policy. Senator Vitter’s effort to promote Congressional action on meaningful reform to the Toxic Substances Control Act is another example of a way to build and enhance the benefits of an expanded U.S. chemical industry. We applaud efforts like these to create policies that create and maintain jobs.

Our industry also needs regulatory policies that do not impose unnecessary barriers to increased investment in our sector. Unfortunately, EPA’s anticipated proposal to lower the ozone NAAQS standard will impose significant burdens and hurdles on new investment in Louisiana. In ACC’s
view, an ozone standard established at 60 parts per billion (ppb) would have severe economic impacts with no to low environmental benefit.

Louisiana is an attractive place to invest in part because every area of the state can meet the current ozone NAAQS of 75 parts per billion (ppb). Based on the recommendation of the Clean Air Scientific Advisory Committee (CASAC), EPA is poised to propose a more stringent ozone standard, as low as 60 ppb. If EPA were to finalize a standard at that level, all of Louisiana, along with most of the rest of the country, would be unable to meet it, according to recent projections. Such locations, called “nonattainment areas,” are very difficult places to expand or improve a business of any size, due to more extensive and stringent regulations.

The experience of the Houston, Texas area is instructive. The Houston area is home to more than six million people and enjoys a rather robust economy right now. The large number of ACC member company facilities in the Houston area are among those that have collectively spent billions in dollars in emissions controls, which has led to a dramatic reduction in pollutants such as Nitrogen Oxide (NOx) and Volatile Organic Chemicals (VOCs).

After billions in investment, the Houston area is only just now on the verge of meeting the 1997 ozone standard of 84 ppb. Despite important progress in meeting the NAAQS standard, that means the Houston area is in nonattainment with the current 75 ppb standard. As a result, any company wanting to expand or build a facility must pay for emission offsets to secure a preconstruction permit. These offsets are difficult to obtain, and currently cost over $175,000/ton of VOC/NOx.

Even as some areas struggle to meet the current ozone standard, events outside their control can make attainment difficult. For example, wildfires can increase particulate matter and ozone levels. Ozone precursors from outside of the U.S. are known to travel to the continental United States and affect air quality enough to cause violations of Clean Air Act standards. Houston and Louisiana cannot change these events, but they play an important role in their current and future nonattainment status.

All of this is bad news for Louisiana and other states which would instantly be placed in nonattainment if the ozone NAAQS standard were lowered to 60 ppb. It is very likely that facilities would expand only if they shut down operations elsewhere, or they came up with the significant additional investment required to buy increasingly expensive offsets. Economic growth, new jobs, and a sustainable competitive advantage for U.S. manufacturing are at risk from a lower ozone standard.

Even facilities that are not expanding can feel the pain of operating in a nonattainment area. When a standard is lowered, states often have to implement new regulations or make the existing

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3 Out of 22 monitors in the Houston area, one has not yet attained the 84 ppb standard for the 8 hour ozone standard, but appears to be close. The area currently meets the 1-hour ozone standard.
ones more stringent. For example, facilities in the Houston area with combustion units, such as boilers and ethylene crackers, must install burners that emit even lower NOx emissions. The simple point is that it is not only new investment that is at risk.

IV. A Lower Ozone Standard has Economic Implications for Louisiana and the Nation

A radical revision of the ozone standard is sure to have sizeable economic impacts. In a recent study for the National Association of Manufacturers (NAM), NERA Economic Consulting has estimated that lowering the ozone NAAQS to 60 ppb could reduce U.S. Gross Domestic Product by $270 billion per year and carry a compliance price tag of $2.2 trillion from 2017 to 2040, increasing energy costs and placing millions of jobs at risk.4

For Louisiana alone, a stricter ozone NAAQS could result in a loss of $53 billion in gross state product from 2017 to 2040, 117,000 lost jobs, and produce $189 billion in total compliance costs.5

V. EPA Must Study the Adverse Effects of a Lower Ozone Standard

When EPA’s CASAC suggested lowering the ozone NAAQS from 75 ppb to as low as 60 ppb,6 it relied on a narrow set of studies whose findings were not proved to be statistically significant. It noted that background levels of ozone are increasingly generated by sources outside North America, beyond the control of EPA.

Section 7409(d)(2) of the Clean Air Act makes clear that EPA must constitute an independent scientific review committee – the CASAC – to review the NAAQS criteria and emissions standards, and any new or revised NAAQS standards. Importantly, the statute includes a mandate that the Committee:

[Ad]vise the Administrator of any adverse public health, welfare, social, economic, or energy effects which may result from various strategies for attainment and maintenance of such national ambient air quality standards.7

To date, CASAC has failed to conduct any study of the adverse effects of a lower ozone NAAQS standard. For a state such as Louisiana, an understanding of the adverse welfare, social, economic and energy effects of a lower standard is critical. The state only recently achieved complete attainment status when Baton Rouge was certified by EPA to have met the 2008 75 ppb ozone standard. A lower ozone NAAQS standard could have the effect of reversing Louisiana’s progress in achieving attainment and significantly affect employment, investment, and economic progress. EPA doesn’t know what the effects of a lower standard will be, and has taken no steps

4 See: NAM Ozone Study
5 See: NAM Ozone Louisiana
6 See: CASAC letter, June 26, 2014
to find out. In fact, the NERA study is the only comprehensive assessment of the economic impact of a lower ozone NAAQS standard now available.

VI. EPA Must Fully Implement the Current Standard Before Proposing a New Standard

Tellingly, EPA has yet to finalize the implementation rule for the current ozone NAAQS of 75 ppb, which was set in 2008 and is the most stringent ever. ACC is very concerned that EPA is moving forward with lowering the ozone NAAQS without fully implementing the current standard.

Given our industry’s unprecedented expansion and potential to drive further growth in U.S. manufacturing, we are troubled by what could happen to business investment in the many new “nonattainment areas” that will emerge if EPA dramatically lowers the standard.

ACC urges EPA to conduct a full study of the impacts of implementing a lower ozone NAAQS, including the costs to industry and the public, before moving forward with a proposal. Given the far-reaching nature of the rule and its significant potential impacts, it is simply common sense.

I would be happy to take any questions.