AMERICAN CHEMISTRY COUNCIL
AMERICAN IRON AND STEEL INSTITUTE

Speakers: Cal Dooley and Tom Gibson
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3:00 pm EDT

Operator: Good day and welcome to today’s media teleconference on EPA Regulation of Greenhouse Gases from Stationary Sources, including Federal Legislation and State activities.

Speaking today are representatives of two major U.S. Industries, Cal Dooley, President and CEO of the American and Chemistry Council and Tom Gibson, President and CEO of American Iron and Steel Institute.

Our speakers will deliver brief opening remarks followed by the media Q&A. During the Q&A session, if you’d like to ask a question, you may do so by pressing star 1. As a reminder, today’s call is being recorded.

At this time, I’d like to turn the call over to your presenters. Please go ahead.

Cal Dooley: Well, thank you. This is Cal Dooley and I’ll make a few remarks, and then I’ll turn it over to Tom and then we’ll go into questions.

You know, I represent - I’m President and CEO of the American Chemistry Council, and really what our objective of this call is to really explain why we think it is imperative that EPA takes
actions to delay their implementation of regulations on emissions from stationary sources that are going to be triggered by their finalization of their Mobile Source Rule.

You know, and speaking on behalf of ACC, we have been very constructively engaged in trying to shape a climate change policy working in the house and trying to achieve improvements, which we were successful in the Waxman-Markey bill. We have been working in the Senate as they have considered a variation of Waxman-Markey and have continued to work also with Kerry, Lieberman and Graham.

We have several members of our association that are leading chemical companies that have been active party to the U.S. Climate Action Partnership (USCAP) efforts, including Dow, DuPont, BASF, and Dow Corning. And you know, one of the reasons why we have such active engagement on trying to find a climate change policy that works is, is that our industry is on the leading edge, I mean, developing technologies, innovations and products that contribute to greater energy efficiency.

And we’re also the developers of a lot of alternative energy technology, be it solar panels or even a lot of materials that are going into the light weighting of vehicles, which are increasing fuel efficiency. But, why we have had some disparity and views among our member companies on the right climate change policy, there is absolute unanimity in - of all of our companies in ACC and opposing EPA’s regulation of emissions from stationary sources under the Clean Air Act.

We have also have been encouraged that over the last few weeks you’ve seen 20 Governors that have also weighed in to the Administration and EPA calling for them to delay action. There is also - just recently - Ted Strickland wrote an additional letter. Governor Strickland from Ohio also weighed in to the Administration asking them to delay these regulations. And we’ve also had at least 12 states that are considering resolutions, some of which have already passed, also calling on EPA to forestall their implementation of regulations on stationary sources.
And one of the reasons why it’s so important to our industry is that we have a number of companies that are on the - that have investments that are ready to go in manufacturing facilities. I have a number of companies that have actually received stimulus funds - tax credits - that would go in to help to finance photovoltaic manufacturing plants, lithium ion battery plants, and a number of other facilities that not only are poised to create jobs and increase investment, but also to create green jobs and result in products that will result in greater energy efficiency and reduce emissions.

But, the sad fact of it is is these funds are not going to be invested in the short-term if EPA finalizes their rules, which could be triggered by March 31, because the regulations that would be - that would result from the mobile source rule would delay these facilities by up to 24 to 36 months, two to three years - clearly inconsistent with the government objectives of economic recovery. Creating such regulatory uncertainty that investments are just going to be, you know, held back.

So we think this is imperative that the Administration respond and if the Administration doesn’t respond that we’re calling on Congress to pass legislation to forestall the regulation of stationary sources under the Clean Air Act.

Tom, I’ll turn it over to you.

Tom Gibson: Sure. Thanks, Cal. This is Tom Gibson; I’m the President and CEO of the American Iron and Steel Institute. I guess if I left you with one thing today, it’s the - it - the problem we face is that EPA regulations cannot address the competition issue.

Sometimes it’s called leakage, but the Clean Air Act cannot address the competition issue we face of unilaterally taking on a burden in the United States for regulating greenhouse gases that’s
not shared by our competitors in places liked China, India, Brazil, South America. And that’s going to result in the loss of high-paying jobs here in the United States to these other economies if we take on significant greenhouse gas emissions burden unilaterally.

As Cal said, like ACC we’ve been engaged constructively in the legislative process since the process was started over the House side. We think that process shouldn’t be short circuited by arbitrary deadlines. Congress deserves adequate time to develop a thoughtful policy for a complex issue that’s going to have far-reaching impact on our industry for generations to come.

The centerpiece of many of the bills, and centerpiece of much of the deliberation that’s gone on in the House has been around this global competition issue - competitiveness issue. And as I said before, there’s no way the EPA regulations can reach it because the Clean Air Act is not structured to deal with it.

In the light of the failure in Copenhagen to reach a global agreement on reducing our emissions, getting U.S. policy right is even more critical than ever. This is particularly true since we’re still in the midst of weak recovery coming out of the recession. We’ve lost 11.7 million manufacturing jobs over the last decade, 2.1 million since the beginning of the recession, and we can’t afford to lose more.

Speaking for AISI, we’re mobilizing our association’s grass roots by encouraging steel manufacturing members around the country to contact their elected officials to individually ask them to support efforts to delay any EPA efforts to regulate greenhouse gases under the Clean Air Act.

And it’s important that the Congress and the Administration, or the Administration act now. The time to do it is before EPA finalizes the motor vehicle rule, and the key date is March 31 and
here’s why. The tailpipe rule would impose regulations on passenger cars and light trucks, but as you know it also triggers Clean Air Act regulation of stationary sources.

Then comes the tailoring rule, which is EPA’s effort to limit the initial Clean Air Act regulation to larger stationary sources. This regulation, at the levels we’re talking about, whether it’s 25,000 or the more recent 75,000 ton limit, was developed by EPA in recognition that application of the Clean Air Act to most sources would be to an absurd result. It would lead to regulation of hundreds of thousands of individual sources of emissions.

The Clean Air Act was just not designed to do this, but there is nothing in the Clean Air Act that allows EPA to decide who the winners and losers are and draw arbitrary lines about who’s in and who is out. As Cal mentioned to you, regulation of stationary sources would be delayed until 2011, due to the timeline required in building new facilities of any kind in the permitting process that’s required, it’ll bring to a halt new investment right here, now, when we need it most.

The chemical and steel industries have not been sitting on their hands though when it comes to greenhouse gas reductions in our operations. We’ve been more than doing our own part. We significantly improved energy efficiency, reduced our greenhouse gases well beyond what we would have been required under any international agreement, and we’re committed to continue to improve it. We haven’t waited for EPA or Congress to act.

In fact, the industrial sector of the economy is the only sector in the economy where greenhouse gas emissions are falling. Greenhouse gas emissions are increasing in all other sectors. According to the U.S. Energy Information Administration, the industrial sector’s greenhouse gas emissions are down 5.9% from 1990 to 2008.

In that same timeframe, the electricity sector’s emissions are up 30%, transportation’s up 21.6%, agriculture’s up 11.3%, commercial is up 36.9%, and residential is up 27.3%. And if could brag for
a second about the accomplishment of our industry since 1990, we’ve reduced our greenhouse
gas emissions by 31%. Before the onset of the recession, we were making more steel in the U.S.
than we had ever before and we were doing it with less electricity and less energy.

So, maybe that’s a good place to stop and see if you have any questions.

Operator: Once again if you’d like to ask a question you may do so by pressing star 1 on your telephone
keypad; that is star 1.

We’ll go to our first question from the line of Christopher Davis from Steel Business Briefing.

Christopher Davis: Yes, Mr. Gibson, Chris Davis from SEB, I just had a real quick question. Could you go
back over those greenhouse gas reduction levels for the various industries? You mentioned...

Tom Gibson: Sure.

Christopher Davis: ...that - if you don’t mind just running through those again real quickly. I wanted to get
a handle on that, and then ask a follow-up.

Tom Gibson: Sure. Industrial sector in the aggregate’s down 5.9%, and this is all from a 1990 baseline
through 2008, electricity sector is up 30’s - 30%, transportation is up 21.6%, agriculture’s up
11.3%, commercial, commercial buildings, commercial is up by 36.9%, and residential is up by
27.3%.

Christopher Davis: Okay. I appreciate that. What are some of the ways that the steel industry has gone
about reducing GHGs by the 31% that you mentioned?
Tom Gibson: Well, when you’re in a competitive industry and energy is one of your biggest inputs, it really is important, it’s critical, for you to get those energy costs and energy efficiency under control. So, it’s been all manner of efficiencies undertaken at the plants in both process, the electric arc furnace and the basic oxygen furnace process.

A capture of ways to reuse to waste gases it has been a comprehensive approach to identifying every possible input of energy to minimize it, and then every possible waste of energy to recapture it and reuse it in a process, and raw materials.

Christopher Davis: Okay. Great. Thanks.

Operator: And we’ll now go to our next question from the line of Rory Carroll with Point Carbon News.

Rory Carroll: Hi. Thanks for having this call today. I had a question for Cal Dooley. You’ve been in the meetings with Senators Kerry, Graham, and Lieberman. I’m just wondering, what is the discussion in terms of manufacturing, when would it be phased in, what’s the approach that they’re looking to take? Is it a cap and trade system or is it something more like a - like the fees that we’re hearing about for transportation fuels? Any detail would be appreciated.

Cal Dooley: Yeah. You know, I have been involved in - and I know Tom’s been involved too - with the Kerry-Lieberman-Graham, you know, discussions. At this point, I would say that what they’ve presented to us is a very general outline without a lot of details. You know, we have also been working very closely with Senator Brown who is - has been tasked to represent the broader interest of the manufacturing sector.

But to-date, what Kerry-Lieberman-Graham had proposed is kind of a hybrid where they would take a kind of a sectoral approach with pulling out transportation, fuels, and taking and approach there that would be more along the lines of some type of carbon fee.
They then are using more of a - what I would refer to as - more of a cap and trade with the utilities. And then, they are also, you know, exempting to some degree the manufacturing sector for about four years, until 2016. And then, they propose for industries such as chemicals and steel that our energy intensive and also trade exposed, to provide another ten years of some level of assistance to offset increase direct and indirect costs for another ten years passed 2016.

But, the challenge we face is, you know, we don’t have enough details to really understand, you know, just what is the allowances that will be allocated to the various sectors, and just how much will be available to offset direct and indirect?

So, at this point I think we, you know, acknowledge that, you know, it’s been a very constructive process, we’re continuing to work with them, but we’re also looking to Senator Brown and a group of about ten Midwestern Senators to also be more directly engaged as the Kerry-Lieberman-Graham proposal, you know, goes forward.

Rory Carroll: Okay. And do you expect to get more details then tomorrow? There’s another meeting I understand?

Cal Dooley: Well, tomorrow the Kerry-Lieberman-Graham are going to brief their Senate colleagues.

There is another meeting scheduled with industry interest - manufacturing interest, but that meeting was scheduled tomorrow, but it has been postponed now until - I believe - Thursday.

Rory Carroll: Thank you.

Operator: We’ll go...
Cal Dooley: And what, you know, I would just point out here, if I can just take the liberty to expand a little bit, is the problem is that Kerry-Lieberman-Graham, you know, requires Congressional Senate action, and that is not a substitute for EPA - at this point in time - delaying the finalization of their rules that would regulate emissions from stationary sources.

What, you know, and what Tom and I are calling for and ACC is calling for is to give Kerry-Lieberman-Graham more time to get this climate policy right and energy policy right, and that requires EPA delaying their regulations and rules for a period of up to two years.

And that is the immediate challenge we face is because these rules are scheduled to be released on March 31, and that is basically going to, you know, to just freeze significant private sector investment, as well as public assistance and manufacturing capacity in the United States.

And it’s, you know, it’s time for, you know, the EPA and the, you know, the - and the Obama Administration to realize that this is, you know, is not the right time for this policy. Give Congress and the Senate more time to get the climate change policy right.

Rory Carroll: Okay. And if I may just follow-up then, the - my understanding is that the Kerry-Lieberman-Graham bill would preempt the state programs, as well as take away the EPA’s ability to regulate under the Clean Air Act, which is something the Administration has said that they wanted. Is that correct? Am I characterizing that right?

Cal Dooley: Well, that is my understanding. Again though, the, you know, the drafts that have been presented, there isn’t a draft that’s been presented, an outline has been presented to us that, you know, is you know, lacking in detail, but the - it does appear, and based on the conversations that I’ve had with the Senators, that it does appear that they are committed to a preemption of the Clean Air Act, as well as those state actions under their legislation.
Tom Gibson: And we support that.

Rory Carroll: Good. Thank you.

Operator: We'll go to our next question from the line of Steven Cook from Daily Environment Report.

Steven Cook: Hi. Are you also talking with EPA about possible approaches to regulation of stationary sources that may be have less impact such as limiting the application of PSD to fewer sources, perhaps only those covered by PSD currently?

Cal Dooley: Well, maybe I can respond first and then turn it over to Tom. Yes, I mean, ACC, you know, has had numerous conversations with EPA over the last number of weeks and months, basically providing - what we think - are alternatives that they could implement that they have the legal authority and regulatory authority to implement that would result in a delay in their regulations affecting stationary sources.

Again, making clear, ACC is not challenging the endangerment finding. We have no problems with the mobile source rule. We just think that it’s, you know, it’s counterproductive and inconsistent with our interests in economic recovery to subject stationary sources to these rules.

We have proposed measures that would narrow the scope of those facilities that would be subject to their proposed regulation. This would involve basically embracing the NAAQS prerequisite, which would then limit the regulation of greenhouse gases under the Clean Air Act only to those facilities that are currently subject to requirement - compliance with PSD by criteria and pollutant.

We’ve also provided other alternatives that they could consider. One would be delay in the finalization of the rule for them to give them time to comply with existing law, which requires them
to do a regulatory review process, and an economic analysis of the cost associated with the implementation and imposition of regulation.

They clearly have not complied with this requirement of law. They did basically an analysis of the costs avoided by the implantation of the proposed tailoring rule, but they have done no economic analysis of the costs associated to those facilities to comply with their regulations that would be triggered by the mobile source rule.

So, we have suggested that, you know, they could, you know, delay the implementation of the rule in order to - basically - comply with the laws that have been passed down by Congress. You know, we're also asking them to give consideration to, if you really, you know, which I think they understand is that, you know, investment and manufacturing need regulatory certainty.

They're finalization of this rule, even if it includes a delay in implementation that Administrator Jackson has proposed, still will not provide the regulatory certainty that will result in, you know, the hundreds of millions of dollars that are, you know, ready to invest in shovel ready, you know, facilities because we don't know, you know, what permit we'll be subject to.

And you know, we're asking them also to consider opportunities where they can grandfather in facilities that are in the - the permitting of facilities that are in the process now that can also address this regulatory uncertainty that's going to forestall significant investment in our economic recovery.

Tom Gibson: I think the only thing I’d add there, Steve, is that one of the reasons we found the response - the Administration’s response to the letter that was sent up by Senator Rockefeller and the other manufacturing state democrats is that it is completely within EPA’s discretion. It was a very inexact or very uncertain remedy that they offered or suggesting that they offered on how they might use the discretion.
In order to make investment-based decisions you need as much certainty as you can possibly get. Legislation would be the best, but if EPA was to find a way to make an affirmative delay in the regulation of stationary sources for a period of time that would not be as certain as a legislative solution.

But essentially to say that they’re going to defer using their enforcement authority or their permitting authority for a year or so, as an act of discretion while they go ahead and finalize the rules, would not be an acceptable outcome from our perspective.

Steven Cook: Did you say, “Not be an acceptable outcome?”

Tom Gibson: Would not be an - a mere exercise of enforcement discretion as was suggested in the Administrator Jackson’s response to Senator Rockefeller and the others would not be enough. We need a more affirmative statement of their intent to delay regulation for a certain period of time.

Steven Cook: The - have they indicated an interest in some of the approaches that you have suggested...

Tom Gibson: Not to AISI.

Steven Cook: Nor, to ACC?

Cal Dooley: Well, I think - and I guess the way I would state it is that I think that there is an understanding of the impact of this regulatory uncertainty. You know, there has been some - I guess indications that they think some of this will be addressed when the Johnson Memo is released.
But, the bottom line is is that, you know, we have not seen the Johnson Memo, we don’t know what it will contain, and if it is anything, you know, along the lines of what was included in, you know, to facilitate what Administrator Jackson responded in her letter, you know, that is not adequate.

I mean and, you know, and it’s because of the regulatory uncertainty, but also the complications that where you have all of the states, which are the, you know, the authorities and ministers of permits, they have their requirement to modify their laws to be aligned with the new rules and regulations.

There is a delay to even see states, you know, legislatures act and respond. There’s also the issue of the lack of guidance on Best Available Control Technology (BACT) compliance that also create uncertainty that can also pose, you know, exposure to litigation and challenges by the - to the states as well as to the companies in terms of whether or not, you know, there has been, you know, action taken that is consistent with the new rules that they’re promulgating.

Steven Cook: Okay. And one last clarification, Tom Gibson, did you say industrial sector emissions are down 5.9% or 9.5%?

Tom Gibson: 5.9%...

Steven Cook: Right.

Tom Gibson: ...over 1990 to 2008.

Steven Cook: Okay. And steel is down 31.3%?
Tom Gibson: That was intensity absolute emissions, but let me get back to you on that. I'll get back to you within five minutes on that if someone can grab me the number, or I'll email it to you, Steve.

Steven Cook: Okay. And the intensity is since when?

Tom Gibson: That was 1990 through 2008.

Steven Cook: Okay, great. Thank you.

Tom Gibson: I just have to get the tons and do the math.

Steven Cook: Okay.

Cal Dooley: Just in terms of - just from - as a chemistry - chemical industry, since 1990 we've improved our energy efficiency by nearly 28% and our greenhouse gases have fallen by 16%.

Female: In absolute terms.

Cal Dooley: In absolute terms.

Steven Cook: Great. Thank you.

Operator: We'll now go to our next question from the line of Amy Harder with National Journal.

Amy Harder: Hi, thanks so much for holding this call. Wanted to follow-up on something you mentioned earlier about the preemption language and drafts bill from Kerry-Lieberman-Graham. Is this something that - I guess how would you react if it didn't make it to the - to any type of formal
I understand that environmental groups have countered the view that is definitely included. That they’ve said that, it just hasn’t been finalized yet.

So, I guess is this something that you absolutely need to see in the bill?

Tom Gibson: Speaking for AISI, the answer is yes. We would have to see - preemption would - is a necessary component of the bill. Moving forward with a situation where you have parallel state and federal regimes or a parallel path within the Clean Air Act, which with all the deficiencies that we’ve already spoken about today for regulation under the Clean Air Act for greenhouse gases, we believe that the new regime, the comprehensive regime, needs to replace the Clean Air Act as the sole method for regulating greenhouse gases in the United States.

Cal Dooley: We - ACC would concur with Tom’s statement there.

Amy Harder: Okay, great. Thanks a lot.

Operator: We’ll go to our next question from the line of Chris Holly with Energy Daily.

Chris Holly: Hello, gentlemen. Thanks for holding the call. I wish you all would explain to me about regulatory certainty. It seems to be nothing could be more certain that actual regulations. I mean, if Congress in its wisdom is unable to reach an agreement on climate change legislation this year or next, will the heavy manufacturing industry be back at that time asking for another delay? I mean, at some point we got to get going with this stuff.

Tom Gibson: Well, first off I’d say for both the industries on this phone, we are already going on this stuff. We’ve been reducing our emissions for years, we continue to reduce them, we reduce them out of all proportion to what’s gone on in the rest of the economy, we’ve essentially decoupled
ourselves from growth equaling more carbon emissions, so to say that - so I kind of reject the premise of the question.

And yes, regulations are certain, but probably no issue has been more discussed or more supported in the legislative debate. And the idea that energy intensive trade exposed industries will be subject to unfair competition, and there needs to be some mechanism in a climate regime to do that. And everyone agrees there is no mechanism in the Clean Air Act to do that.

Cal Dooley: And I, you know, I concur with everything Tom said. And I’d also say, you know, if, you know, what you’re suggesting is that regulatory certainty under the Clean Air Act is going to result in the most effective and efficient, you know, reductions in emissions, and nothing could be further from the truth.

You know, our member companies have - that are part of the chemical industry have been, you know, engaged in trying to get climate change policy right. We’ve embraced, you know, a policy that there needs to be a price signal in order to ensure that you’ll have the most efficient allocation of resources to achieve, you know, the most cost-effective reduction in emissions.

You will not achieve anything, you know, similar to that under what EPA is opposing. And so, what, you know, what we’re up against now is, yeah okay, EPA can come out and they can promulgate these rules and we’ll have regulatory certainly, but it will forestall investment in U.S. manufacturing capacity, which clearly is not in our interest.

And right now, the way that these would be rolling out is that we don’t have, even as, you know, their implanting these, we won’t have the regulatory certainty because EPA hasn’t been able to come to any consensus in terms of what would be the guidance for best available control technology. The states have already stated that they don’t have the capacity.
I think there was over 30 states - on the public comment on this rule said that they don’t have the capacity to even implement these rules and issues of permits, and that they won’t have that capacity for anywhere in the next, you know, three years or so.

Chris Holly: You’re talking about the number of employees; that kind of thing?

Cal Dooley: Number of employees and even if they have to - the states have to promulgate their own legislation and can bring in alignment with EPA regs. I mean, if you think about the logistical problems to that, many of the state legislators only meet once every other year, such as Texas, one of the larger manufacturing states.

There’s - a lot of the state legislatures are only in for some of them, as short as 30 days, some of them in 60 days. And to think that they’re going to be able to just even process and develop the statutory language that they need to put on their books in order to be in compliance with these rules in a short period of time that will facilitate the investment that is ready to, you know, to go into a number, you know, of important manufacturing facilities, I mean it’s just, you know, it’s ludicrous.

It isn’t, you know, it’s going to be a significant amount impediment. And that’s not, you know, that’s not going to achieve regulatory certainty under any, you know, measurement.

Chris Holly: Thank you, gentlemen.

Tom Gibson: Thank you.

Operator: As a reminder if you would like to ask a question you may do so by pressing star 1. That is star 1 to ask any questions. We'll now go to our next question from the line of Jessica Leber with ClimateWire.
Jessica Leber: Hi there. You mentioned that Best Available Control Technology (BACT) is a big issue of uncertainty. Just in your views, what sort of carbon control technologies or measures could - do you think your industries could realistically take if carbon was needed in a PSD permit?

Cal Dooley: Well, either - let me - and I have Mike Walls who’s my VP of Regulatory and Technical that can provide some additional comment here. But, where we’re - here’s where - some of our concerns.

Without the clear, you know, some guidance here we have a lot of our manufacturing facilities that have in the past and are committed in the future to make investments in co-generation combined heat and power that would actually have significant reductions in energy consumption, as well as in emissions.

That needs to be, you know, considered in terms of the BACT guidance that’s put in place, and also how do you going to adjust for what might be an investment by one facility that would utilize this technology that also would reduce the demand perhaps for energy from a utility that might be using, you know, various fuel sources, and these are all very complicated.

One of the things that we’re really concerned with as well, because our industry used natural gas not only for energy, but our feedstock for the development of our product, is that there’s some interest that are promoting that BACT for energy production should be natural gas at the expense of maybe, you know, what could be coal fired generation, even with the utilization of carbon capture, sequestration.

And so, until there’s some, you know, clarity around, you know, even, you know, those type of issues, you know, it’s going to be difficult for states to, you know, in terms of how they’re going to
be issuing permits. As well, it’s going to be very difficult for our industry to make decisions going forward through the permitting process.

Mike, I don’t know...

Mike Walls: Yeah, this is Mike Walls at ACC. I’d just add that one of our concerns is that - as Cal noted - that BACT would be considered on the basis of fuel source, particularly natural gas. For the chemical industry, that regulatory mandate and that regulatory impact on the demand for natural gas has significant potential consequences for the chemical industry.

I think those of you who follow our industry are very well aware of the significant impacts we realized when the price of natural gas spiked over the last few years. We lost somewhere in the neighborhood of 56,000 jobs as a result of those price spikes.

And so, we’re very concerned that until the capacity to bring all the gas that supposedly we have here in the United States to market is available, that short-term regulatory mandates mandating the use of natural gas has a consequence for the industry.

Tom Gibson: This is Tom Gibson with AISI. Steel - the U.S. domestic steel industry is the most efficient in terms of energy input or greenhouse gas output of any steel making economy in the world.

Essentially, what we’re talking about for BACT for steel are efficiency measures since how you make steel in a basic oxygen furnace is to combine with carbon with Fe and come out with Fe02 and - excuse me - come out - Fe02 plus carbon equals carbon dioxide going up and steel coming out the bottom of a blast furnace.

We’re pretty much at the physical and chemical limits of what you can do with existing processes as far as making them more efficient. The reason we still have a steel industry at all here in the
U.S. after what happened over the last few decades is because it became the most efficient place and cleanest environmentally to make steel in the world.

Moving forward, we’re investing a lot of money in technologies that might replace the coke, the carbon that goes into basic oxygen steel making with other elements, possibly such as hydrogen. Those technologies have only been demonstrated at a bench scale at this point; it’s going to take a long time.

Certainly, Senators like Senator Brown from the manufacturing states are looking at the technology-based solutions and R&D-type approaches as part of the long-term challenge. On the electric side, we made steel with electric arc furnaces.

Most of the steel in the U.S. is made that way, our electric arc furnaces are the most efficient in the world and they buy electricity from their utilities that serve their areas. And their ability to further reduce their carbon - indirect carbon emissions is dependent upon the improvements that are made on the electricity side.

We’re also looking down the line at things like carbon capture and sequestration (CCS). That has not yet been demonstrated for manufacturing-type processes and that - again - is a long-term solution. But in the short-term, looking at the efficiency side of the equation, we are about at the limits of what the current technologies can do and lead the world in that respect. If you were setting BACT for the world, you’d set it based on U.S. standards.

Jessica Leber: Okay. Well, thank you very much.

Female: Other - are there other questions on the phone?

Operator: If you’d like to ask question, you may do so by pressing star 1 on your telephone keypad.
Female: Maybe we’ll take one more.

Operator: We’ll go to Steven Cook with Daily Environment Report.

Steven Cook: Following-up on the last question. If you are pretty much at the limits of energy efficiency, could not BACT just be set at what you’re already doing, and therefore maybe less of a problem?

Tom Gibson: Well, that would be the end of a long process that we don’t know that that’s going to be the outcome. If BACT was set, essentially you’re saying that there would be no change in existing processes and keep doing what you’re doing. Don’t know of any EPA regulatory outcome, Steve that turned out that way, but if that’s something that EPA is postulating, they haven’t postulated that to me.

Steven Cook: The reason I ask that is because it said basically that BACT for - at least carbon dioxide - is necessarily just energy efficiency. So, if you’re already doing energy efficiency and have reached the limits of it, it seems like maybe that’s - that they couldn’t really require any more of you?

Cal Dooley: What I would just, you know, point out is that, you know, EPA has an advisory committee that’s been looking at BACT. You know, they just, I think it was no more than a month ago, two or three weeks ago, you know, they convened their meeting where it was - at one time - anticipated that they would have a set of recommendations on BACT. They concluded though that there was no consensus.

So, here you have EPA on the verge of releasing a regulation that will promulgate the requirement for PSD, as well as BACT and there has been, even with their advisory committee,
there has been no consensus developed that can give some guidance to the industry, to the
states that are going to have to issue the permit.

And, you know, it’s another compelling argument, not to amend the Clean Air Act, but to call on
EPA to delay these rules, delay this rule as it pertains to stationary sources until Congress has
more time to act, or at the very minimum, until EPA is able to provide greater guidance to the
authorities that are issuing the permits.

Steven Cook: If EPA does go ahead with this, do you think that this is grounds for legal action on your
part or on others, perhaps?

Cal Dooley: We made a no - you know no decisions on that front. I mean, we’re here still hopeful that,
you know, EPA will address some of the concerns in the rule making process, whether it’s a - of
the Johnson Memo or - and they’ll have other opportunity.

And you know barring that, you know, we are going to continue to call on Congress. We are, you
know, are very supportive of the, you know, the proposal that was offered by Senator Rockefeller
to delay implementation of these regulations or the rule as it pertains to stationary sources for two
years. We think that is, you know, a common sense approach that doesn’t amend the Clean Air
Act, doesn’t use their authority from EPA, it just simply delays it for a relatively short period of
time.

Tom Gibson: And it allows the vehicles to go forward. Yeah, I guess - this is Tom with AISI - I agree with
everything Cal just said. I would note though that AISI has challenged the endangerment finding
in the D.C. Circuit.

Operator: We’ll go to our next question from the line of Edward Felker from Energy Guardian.
Edward Felker: This is Edward Felker, Energy Guardian. I had my question answered. Thank you very much.

Tom Gibson: Thanks.

Operator: We have no further questions in queue.

Female: Great, I think we’re all set then. Thank you, everyone.

Cal Dooley: Thank you.

Tom Gibson: Thank you, everyone.

Operator: Thank you for your participation today and this does conclude today’s conference call.

END