

United States Senate

WASHINGTON, DC 20510

April 15, 2010

The Honorable John Kerry
218 Russell Senate Office Building
Washington D.C. 20510

The Honorable Lindsey Graham
290 Russell Senate Office Building
Washington, DC 20510

The Honorable Joseph Lieberman
706 Hart Senate Office Building
Washington, DC 20510

Dear Senators Kerry, Graham, and Lieberman:

We appreciate your efforts to build a bipartisan consensus on comprehensive clean energy legislation that promotes American jobs, reduces carbon emissions, and lessens our dependence on foreign energy. We write to express our strong belief that comprehensive clean energy legislation must include a plan to address the challenges that face manufacturing. Without such a plan, we are concerned that the legislation will ultimately be unsuccessful. We are convinced that successful legislation must include a multi-pronged strategy to maintain and strengthen our industrial base and the millions of manufacturing jobs critical for our economic recovery. This plan must promote manufacturing competitiveness, create and maintain American jobs, and recognize that a strong manufacturing base is a prerequisite for both a domestic clean energy economy and long-term economic recovery and growth.

Over the past several months we have been working to address one of the toughest challenges in the debate over comprehensive clean energy legislation—how to bolster manufacturing jobs and ensure the global competitiveness of American industry. The United States must not undertake a self-defeating effort that simply displaces greenhouse gas emissions rather than reducing them worldwide, while at the same time putting significant American jobs at risk.

We know that other countries, in particular China, have already started to vie for leadership in the new clean energy economy. China has already become the world's leading manufacturer of wind turbines and solar panels. This is a contest that America cannot afford to lose. Our nation's economic future depends both on our global competitiveness and access to reliable energy sources. We must not allow our nation to become dependent on foreign clean energy industries or squander the opportunity to compete successfully in the global clean energy marketplace. A strong manufacturing base is crucial if the United States is to build the clean energy technologies of the future and achieve energy independence.

It is essential that any clean energy legislation include a package of provisions that strengthens American manufacturing competitiveness, creates new opportunities for clean energy jobs, and defends against the threat of carbon leakage by maintaining a level playing field for domestic manufacturers. Key provisions needed for a manufacturing package include:

1. Invest in American Manufacturing Competiveness:

- **Provide Assistance for Retooling and Clean Energy Manufacturing.** Due to the financial crisis, many American manufacturers are struggling to obtain the capital necessary to make critical investments in energy efficiency or for necessary retooling to diversify into new clean energy products such as wind turbines, solar panels, and advanced vehicles. These investments are essential to create jobs, maintain a strong and competitive manufacturing base, and establish the U.S. as a leader in the manufacturing and production of clean energy. We propose financial assistance mechanisms that include: establishing a manufacturing revolving loan fund, expanding the 48C advanced energy manufacturing tax credit, providing tax incentives to encourage capital investments in efficiency and clean energy technology, and investing in domestic production of advanced vehicles and components. Paired with technical assistance from an expanded Manufacturing Extension Partnership program and Industrial Assistance Centers, these funds would help manufacturers expand into new markets, reduce their energy costs, and ultimately create and retain highly-skilled, good-paying manufacturing jobs here in the United States.
- **Support Research, Development, and Deployment of Low-Carbon Industrial Technologies.** For American manufacturers to compete globally, they must develop and adopt more affordable and reliable clean energy technologies than those that exist today. This major industrial transformation will require substantial federal support through public-private partnerships. A national initiative for low-carbon industrial technology would support the transition to a clean energy economy and create new economic opportunities for U.S. manufacturers. This initiative would improve the efficiency and global competitiveness of domestic manufacturers and reduce carbon emissions, particularly process-related emissions, in a commercially viable manner while helping small, medium, and large manufacturers meet these goals.
- **Support American Manufacturers of Clean Energy Technologies.** Several federal programs exist to promote the production and use of clean energy sources. Linking clean energy incentives to domestic manufacturing will both create immediate good-paying manufacturing jobs in the domestic economy and enhance the innovation and competitiveness of firms located in the U.S. These programs should recognize and prioritize the use of domestically produced products and materials.

2. Level the Playing Field and Prevent Carbon Leakage:

- **Keep Energy Costs Low for Manufacturers.** American manufacturing competitiveness is closely linked to the availability of reliable, low-cost electricity, the bulk of which is currently provided by coal. Manufacturers should be protected from spikes in energy prices and potentially higher energy costs. These include costs passed on to industrial consumers through utilities and other energy costs associated with energy legislation. These “indirect” costs should be mitigated through direct assistance to all manufacturers, supplemented by access to financial and technical support for efficiency activities. Well-structured legislation should contain costs for manufacturers while ensuring emissions reductions and incentives for clean energy investments, by including a firm price collar, sufficient offsets, a regionally equitable distribution of allowances, reasonable emissions targets and timetables, and a pathway for the development, demonstration, and deployment of carbon capture and sequestration technologies.
- **Phase-In Manufacturers to Allow for Planning and Transition.** Over the last several decades, the industrial sector’s emissions have been shrinking while those of other sectors have been growing substantially. Phasing-in manufacturers would provide manufacturers the necessary time to adjust to changing energy markets and to develop and deploy low-carbon industrial technologies. The phase-in should be designed to ease the transition to a low-carbon economy while providing compelling

incentives for manufacturers to reduce greenhouse gas emissions. A significant phase-in for industrial sources of emissions would be necessary if the funding for rebates to energy-intensive and trade-exposed industries is inadequate. During the delay period, qualified manufacturers must be able to receive allowance rebates to cover any additional “indirect” costs, including electricity.

- **Provide Full Funding for Rebates to Energy-Intensive, Trade-Exposed Industries.** Allowance rebates for energy-intensive, trade-exposed (EITE) industries would protect against carbon leakage and maintain competitiveness for all manufacturers by reducing costs for downstream users of basic materials and helping ensure that America’s new energy technologies are built here. A fully funded allowance program for all eligible industries and sectors is necessary to preserve jobs and stimulate investment. It is critical that a sufficient number of allowances are set aside for EITE industries in order to provide the kind of certainty that will lead to investment in U.S. facilities.

Allowance rebates should be designed in a way to assist American workers and, at the same time, provide strong incentives for efficiency and low-carbon energy investments. Calculating rebates on sector averages should only be used if doing so promotes equity and efficiency, prevents carbon leakage, and is workable for unique industries. Subsector specific approaches should be considered where appropriate. Most importantly, industries at risk for carbon leakage must have clarity regarding their eligibility for the rebate program. These rebates should remain in place until an equally effective international solution to carbon leakage is reached. Any program must specify fair and balanced solutions for the unique industries and processes that have been brought to Congress’ attention, including: the use of certain process emissions, cogeneration, combined heat and power, feedstock uses of energy, foundries, industrial gases, integrated facilities, lime, non-integrated coke production, purchased steam, processing of certain types of ore, refractory products, research and development facilities, silicon carbide, soda ash, specialty ceramics, sugar, and zinc recycling.

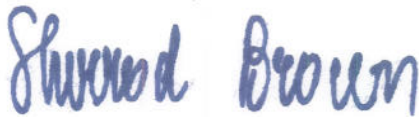
- **Apply Border Measures To Prevent Carbon Leakage.** An automatically triggered border measure is necessary to promote comparable action from other countries and prevent carbon leakage. To avoid undermining the environmental objective of the climate legislation, a WTO-consistent border adjustment measure, which the WTO has recognized as a usable tool in combating climate change, should apply to imports from countries that do not have in place comparable greenhouse gas emissions reduction requirements to those adopted by the United States. A border adjustment measure is critical to ensuring that climate change legislation will be trade neutral and environmentally effective.

3. Ensure A Long-Term Future for American Manufacturing:

- **Clarify Federal and State Greenhouse Gas Standards.** Greenhouse gas emissions are a global problem requiring strong national and international action. Existing state laws and initiatives should be integrated into a federal program where policies are consistent. Where inconsistencies exist, federal laws should prevail. Federal uniformity is necessary to prevent inconsistencies in regulation, preserve overall efficiency, and ensure harmonization of policies. New federal programs governing regulation of greenhouse gas emissions should supersede existing federal law and avoid overlapping regulations.
- **Promote Meaningful International Action.** Any international agreement should address industrial implications of a national energy policy and should preserve our nation’s ability to take unilateral border actions to prevent carbon leakage, consistent with WTO obligations. To ensure the effectiveness of international action on climate change, strong and equitable principles should be embodied in new international agreements and in domestic legislation. Most importantly, all major economies should adopt ambitious, quantified, measurable, reportable and verifiable national actions.

- **Provide Community Economic Adjustment Assistance and Worker Training.** To help ensure the long-term viability of those communities whose employment levels are associated with energy-intensive industries, comprehensive clean energy legislation must include programs that offer financial and strategic assistance to communities to help them build sustainable foundations for their economies. Workers in manufacturing and other energy-intensive industries must have access to the benefits, job training and educational assistance that will enable them to upgrade their skills and obtain the credentials necessary to obtain jobs in growing sectors of regional economies. Both communities and workers deserve federal assistance to prepare them for economies and jobs of the future.

Sincerely,



Sherrod Brown



Debbie Stabenow



Carl Levin



Robert P. Casey Jr.



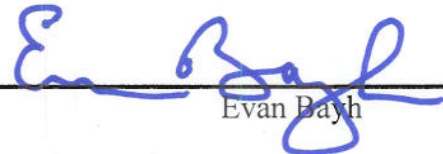
Arlen Specter



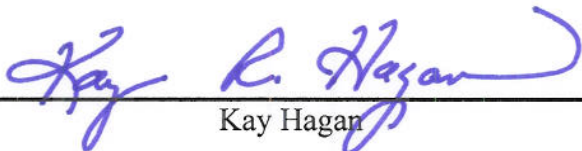
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