

Why MSCI Opposes EPA Regulation of Greenhouse Gas Emissions

The Metals Service Center Institute opposes the Environmental Protection Agency's plan to regulate U.S. greenhouse gas emissions within the framework of the Clean Air Act. Under final rules adopted by EPA in May 2010, the agency begins phased implementation of its greenhouse gas (GHG) rules on the first business day of 2011.

Here are the reasons why MSCI opposes this program.

- 1. Controlling GHG emissions through the Clean Air Act regulatory process circumvents the critically important political process essential to reach consensus on how best to respond to global climate change.**

Congress, the Obama administration, the business community, environmental activists and millions of citizens have an important stake in the outcome of the political debate over climate change.

What steps to take, and how best to take them, are core questions that are not resolved through the narrower, decades-old mechanism of regulation via the Clean Air Act. It is important for Americans to have a thorough debate on this issue, and it is equally important that our elected representatives are required to take a position for or against the final legislation.

- 2. Unilateral, costly reductions in GHG emissions under the EPA's plan will place U.S. manufacturing, and particularly companies that make essential metals such as steel, stainless steel and aluminum, at a severe competitive disadvantage with the rest of the world.**

North America's manufacturers and the metals industry are among the most efficient in the world. The metals industry's record in reducing its output of harmful air and water pollutants of all kinds is unmatched among the world's developed economies. GHG reductions by metals makers, in particular, far exceed those of their global competitors.

Yet the EPA approach is a unilateral action taken without regard to economic consequences. The worst possible outcome for this nation's climate change program would be to further erode the strength of our manufacturing and metals sectors, forcing customers to buy increasing amounts of industrial metals from offshore producers. We would lose jobs, economic vitality and the benefits of our "clean" manufacturing base while encouraging producers from nations that have

a poor record of GHG controls. This will tend to increase global GHG emissions, not reduce them.

3. Studies demonstrate that programs to reduce the impact of GHG emissions will succeed only if they are global in scope.

The issue of climate change is not just a U.S. issue. It is a global concern that requires a global response. It makes little sense to harm our own economy in the name of GHG emissions if the other nations pollute at will. The EPA's action is pain with no gain.

4. The EPA approach creates large areas of uncertainty that, without quick resolution, will quickly reduce investment in vital industries.

For example, the Clean Air Act applies to polluters of all sizes. But the EPA has proposed to "tailor" its GHG program so that permits will be required first by large emitters of greenhouse gases that already hold permits for emissions of other air pollutants, then for large GHG emitters that don't already have EPA Clean Air Act permits.

Those steps will all begin in 2011 and continue through the middle of 2013. They will apply to plants that emit 75,000 tons of greenhouse gases a year or more. In the meantime, EPA also plans to consider whether to require permits of plants that emit 50,000 tons of greenhouse gases a year.

The uncertainties in this process are numerous. How significant will the required reductions be, and at what cost? How rapidly must those reductions be made? How can a location that today emits fewer than 75,000 tons of greenhouse gases annually know whether it, too, will be required to reduce emissions, or how that can be accomplished? Once emissions are reduced, will the cost of reduction programs be such that a company's products will now be uncompetitive with those offered by offshore rivals?

With these uncertainties, it becomes very difficult and costly to raise the capital necessary to maintain or expand a business.

5. It is unclear whether EPA or the state agencies that conduct permit processes have the resources to respond to increased demand.

This is no mere bureaucratic quibble. EPA acknowledges that it and its state partners will find it difficult to cope with substantial increases in locations that require permits. It is unclear how many plants ultimately will fall under Clean Air Act permit requirements for GHGs. Although the tailoring rule seeks to

reduce that load, it is far from clear where the terms of the Clean Air Act permit EPA to require permits of some violators while ignoring others.

MSCI is among the many trade associations that believe the EPA process is fraught with problems, is ill-advised and should not even have been proposed during a period when Congress is being pressed to adopt climate change and related energy legislation.

Ultimately, MSCI believes that any climate change plan must regard abundant jobs and a healthy economy holistically, as part of a *human* climate that values growth, vitality, innovation and possibilities as essential.