

Testimony of Steve Rowlan
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I am Steven Rowlan, General Manager of Environmental Affairs for Nucor Corporation. Thank you, Chairman Sanders and Ranking Member Boozman for the invitation to testify today regarding the impact energy policies and proposed EPA regulations have on job creation and electricity costs. Unfortunately, current regulatory proposals and the push for green energy is stifling job creation and threaten to significantly increase energy costs, jeopardizing U.S. manufacturing.

Nucor is the largest steel producer and recycler in the U.S. We employ over 20,000 teammates in 23 states and produce steel products for use in roads, bridges, automobiles, appliances, commercial buildings and a range of other markets.

The steel industry, like many industries in this country, was significantly impacted by the Great Recession. Steel capacity utilization dropped from 90 percent to 36 percent in a matter of a few months at the end of 2008. Despite how bad the market got, Nucor did not lay off a single worker. Economic conditions have improved for the steel industry, but the continued weakness in the economy is very concerning.

On top of this economic uncertainty and persistently high unemployment is a rash of new and proposed regulations by the EPA, including ozone standards, utility MACT, the cross-state air pollution rule and greenhouse gas emissions standards. This regulatory uncertainty and the threat of significantly increased costs are holding back capital investment and the jobs that investment would create.

The impact is real. We recently received a permit, under the new greenhouse gas rules for a direct reduced iron facility in Louisiana. This is a \$750 million project that will create 500 construction jobs and 150 permanent manufacturing jobs. It is a great job-creating investment, particularly in this economy. But this project is not as large as the \$2 billion investment we initially intended. Due to the uncertainty created by these new regulations, we made the difficult decision to delay the \$2 billion investment, also delaying the creation of 2,000 construction jobs and 500 permanent manufacturing jobs.

This is one example, but we should also be concerned by the examples we cannot cite. The reality is that because of burdensome permitting requirements and rising energy costs, increasingly industrial projects are no longer even being considered for development in the United States. U.S. locations are typically passed over during the initial evaluation and consequently are never even considered for projects unless all other options fall through. The additional regulations EPA is considering will only continue and intensify that trend. The other threat that these regulations pose is to energy prices. Economical and abundant energy

supplies are the lifeblood of industry. These new and proposed regulations risk increasing energy prices and lowering energy supply.

Energy must be priced at a level that energy-intensive industries can consume it while making a product that they will then be able to sell for a profit. Because energy is perceived as being “cheap,” since it costs just pennies per kilowatt hour, we fail to understand the full impact energy costs have on profitability.

You will often hear that a proposed regulation will only cost a few cents per kilowatt hour. That is a true but very misleading statement. If industry is paying only 5 cents per kilowatt hour for electricity and the price increases by 1 cent, that is a 20 percent increase in energy costs. For homeowners paying around 10 cents, that is a 10 percent increase. These increases, coupled with other regulations that will force the closure of coal-fired electrical generation facilities, will result in lower supply with further upward pressure on prices.

The impact of these seemingly small increases on industry is staggering. At Nucor, we use electric arc furnaces to recycle over 20 million tons of scrap metal annually into usable steel products. For Nucor, a 1 cent increase in electricity costs translates into a cost increase of more than \$120 million dollars per year. The question is, where will the money come from?

An increase like that leaves industry with few good options. We might be able to spend valuable capital to increase efficiency in hopes of offsetting the cost increase, but as a large energy user we already have plenty of incentive to do energy efficiency projects that generate a decent return. The steel industry has reduced the energy intensity required to produce a ton of steel by 30 percent since 1990. We could increase the cost of goods sold to maintain our margin, but in an international market, we will lose market share to competitors in other countries that do not have these energy cost increases. Finally, we can absorb the cost increase and decrease our profitability, but the result of that is potential job loss, contracting markets and lost tax revenue.

We are also a large consumer of natural gas. In recent years, we have seen natural gas-fired power plants built instead of new coal generation. Power companies have indicated that these new regulations will result in the closure of many coal-fired power plants. Fortunately, technological innovation has opened up vast amounts of natural gas reserves in this country. But regulations threaten this energy source as well. EPA is attempting to expand its regulatory authority to include hydraulic fracturing. We risk under developing this important domestic resource by strangling it in regulations. If these proposed air regulations encourage fuel switching, while regulations on hydraulic fracturing discourage natural gas production, it will drive up natural gas costs for industrial consumers.

We have seen in recent weeks the perils of creating “green energy” in defiance of basic market fundamentals. In many mature industries like steel, technological innovation and markets are driving increased energy efficiency, greater recycling and lower emissions. These jobs may not fit the conventional wisdom of what constitutes a “green job,” but they are good-paying and hopefully long-lasting blue-collar jobs that are using innovation to become cleaner, more efficient and reduce environmental impact. These are the kind of jobs we need to be creating, not eliminating in the pursuit of mandating a green economy on industry.