

September 1, 2021

The Honorable Charles E. Schumer
Majority Leader
United States Senate
Washington, DC 20515

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
Washington, DC 20515

The Honorable Joe Manchin
Chairman, Committee on Energy and
Natural Resources
United States Senate
Washington, DC 20510

The Honorable Frank Pallone
Chairman, Committee on Energy and
Commerce
United States House of Representatives
Washington, DC 20515

The Honorable Ron Wyden
Chairman, Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Richard Neal
Chairman, Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Speaker Pelosi, Leader Schumer, Chairman Manchin, Chairman Pallone, Chairman Wyden, and Chairman Neal:

As Congress considers potential climate provisions as part of a budget reconciliation bill, we urge you not to overlook the transformation of our industrial sector to reduce emissions and enhance competitiveness. Serious action to address climate change and strengthen our economy requires substantial investment in modernizing our industrial sector in ways that will deeply reduce its growing emissions while creating and protecting jobs in our domestic manufacturing base. The bipartisan infrastructure bill includes some provisions on industrial emissions reduction, but significantly more is needed to catalyze response in key areas. Respectfully, we ask that your committees consider \$15–\$22 billion in reconciliation spending in the specific areas outlined below, which were not addressed in the bipartisan infrastructure bill.

The industrial sector accounts for more than one-fourth of U.S. greenhouse gas (GHG) emissions. Deeply cutting emissions in this sector will require a multi-faceted approach that includes energy management; innovative lower-carbon processes; switching to low- or no-carbon energy sources; a reduction in demand for carbon-intensive products; and carbon capture. These measures will require early investment because of the long lifetimes of equipment, the time required to transform production, market competition with other nations, and industry's critical role in supply chains.

At the same time, our industrial base is critical for economic security. The materials it produces, like steel, aluminum, and cement, are necessary for clean technology and infrastructure – and, more generally, for modern life. It is also an issue of global economic competitiveness. Prioritizing investments in modernizing heavy industry will not only reduce GHG emissions and other pollutants, but make companies more energy and process efficient,

position them to lead in a global economy in which market demand is shifting to favor low-carbon products, and enable them to create and retain good jobs over the long term. And it will position the United States as a global leader in the production of technologies that will enable a low-carbon future, which is far and away the most important global economic development race of our time.

Transforming our energy-intensive industries to produce essential materials with far lower emissions can ensure that necessary action on climate change will not drive jobs or pollution overseas. In 2015 we imported an estimated 1.5 gigatons of embodied carbon, which was more than was emitted by U.S. industrial facilities that year and twice as much as any other country. The largest flow of embodied carbon in 2015 was from China to the United States, which more than quadrupled since 1995.¹

Transforming industry is also an impactful way to spend precious taxpayer dollars. A recent ACEEE analysis of 10 sets of energy efficiency proposals under consideration by Congress and the administration² found that 3 industrial provisions described below would account for a mere 11% of the spending in the package considered but achieve 71% of the emissions reductions and 30% of the jobs.

We urge you to include the following provisions in the forthcoming reconciliation package:

- **Full-scale transformative investments in strategic technologies, facilities, and communities:** (\$10–\$15 billion)
 - First Three – Enable the Department of Energy (DOE) to co-fund the first three commercial-scale applications of transformative industrial technologies, such as transitioning to an inert anode in the production of aluminum that releases oxygen from the process rather than CO₂ and has an operating life that can be thirty times longer than a carbon anode.
 - Investment in strategic facilities – Funding for DOE or Treasury to provide grants or investment tax credit to support major carbon emissions and pollution reducing upgrades at strategic energy intensive manufacturing facilities, particularly those important to economic security or at risk of curtailment.
 - Industrial clusters – Funding for DOE to provide competitive grants to consortia working on decarbonization and supply chain challenges facing regional industrial clusters, which can promote both competition and cooperation that spur companies to operate more productively in sourcing materials, accessing utilities, and advancing technology.

¹ <https://www.climateworks.org/wp-content/uploads/2018/09/Carbon-Loophole-in-Climate-Policy-Final.pdf>

² <https://www.aceee.org/fact-sheet/2021/06/clean-infrastructure-efficiency-investments-jobs-climate-and-consumers>

- **Rapidly enhance efficiency, emissions reductions, and competitiveness across industry through deployment of existing technologies:** (\$5 -\$7 billion)
 - Deployment incentives – Direct DOE to establish a Sustainable Industry Rebate Program, as in Sec. 532 of the CLEAN Future Act, or similar grant program to assist industrial facilities in making upgrades to improve energy efficiency and reduce greenhouse gas emissions.
 - Energy management – Programs to assist medium and large industrial firms with energy management and decarbonization, including a national version of New York State’s successful Flex-Tech program featured in Representative Tonko’s State Industrial Competitiveness Act.
 - Funding for grants or tax credits to deploy clean industrial technologies – Provide funding for grants or an investment tax credit to aid companies in commercial application of industrial emissions reduction technologies under the Clean Industrial Technology Act (42 U.S.C. 17113(d)(1)). Building on proposals to robustly fund the 48C Advanced Energy Manufacturing Tax Credit, like the American Jobs in Energy Manufacturing Act of 2021, provide additional investment tax credits for energy efficiency and emissions reduction technologies, including high-efficiency heat pumps used in industrial facilities and other businesses.

In addition to these provisions, we encourage Congress to provide \$100 million over 10 years in funding to establish a grant program to provide financial assistance to quantify embodied carbon for products (Environmental Product Declarations or EPDs) for small and medium businesses that participate in the federal procurement process (e.g., manufacturing such as steel, cement, concrete).

As Congress continues to move forward with plans for budget reconciliation, we strongly urge you to consider the tremendous cost, energy, and emissions savings presented by industrial transformation. For the United States to decarbonize by 2050, industry must play a critical role. Federal investments will spur large emissions reductions in the sector and assist American firms to best compete in the decarbonized world.

Thank you for your consideration.

Sincerely,

American Council for an Energy-Efficient Economy (ACEEE)

BlueGreen Alliance

Center for Climate and Energy Solutions (C2ES)

Coalition on Materials Emissions Transparency (COMET)

Environmental Defense Fund

Global Efficiency Intelligence, LLC

Information Technology and Innovation Foundation (ITIF)

LanzaTech

League of Conservation Voters

National Audubon Society

National Wildlife Federation

Natural Resources Defense Council (NRDC)

Rocky Mountain Institute (RMI)

Sierra Club

Southwest Energy Efficiency Project (SWEET)

Third Way

United Steelworkers

For questions or more information please contact:

Alexander Ratner at ACEEE (aratner@aceee.org; 443-417-6953)

Ian Wells at BGA (iwells@bluegreenalliance.org; 646-709-4205)