



February 7, 2018

TO: Chair Dembrow & Members of the Senate Committee on Environment and Natural Resources
Chair Helm & Members of the House Committee on Energy and Environment

FR: Jennifer Hudson, Assistant General Counsel
Schnitzer Steel Industries, Inc.

RE: Testimony in Opposition to HB 4001 & SB 1507

On behalf of Schnitzer Steel Industries, Inc., please accept this testimony offering the Company's concerns over the program outlined in HB 4001 & SB 1507. Chief among these concerns is the fact that the allowances proposed in the bill for Energy Intensive Traded Entities (EITE) will not be defined in statute, but rather through rulemaking at a later date. This lack of certainty is problematic for businesses, especially EITE's that would like to grow and expand operations. It is difficult to plan effectively for growth when unknown expenses at a price tag of six or seven-figures are looming in the future with guaranteed increases until 2050 and beyond. Further, the program requirements dictate that allowances and qualifications for which companies qualify as EITE will be reviewed every two years. There will be nothing in statute to protect affected businesses from shifting criteria to fit the needs of the day; meanwhile affected the EITEs of today will be expected to undertake major operational changes in order to comply with a program for which they cannot be certain they will continue to qualify from one biennium to another. The potential for shifting the goal posts brings up questions of fairness at the program's core.

The Governor and Legislature's stated goals to "reduce emissions at the lowest cost to business" are goals that Schnitzer shares. Far from being a highly polluting company, our integrated platform produces finished steel products from our recycled metal, conserving natural resources, and reducing greenhouse gas emissions. We strive to set the standard in safe and sustainable practices for the metals recycling industry while pioneering advanced technologies and processes. That is why Schnitzer has undertaken best in industry emissions reduction practices at locations across the country, perhaps most notably at Cascade Steel Rolling Mills facility in McMinnville, which should be designated as an EITE under the proposed Cap and Trade Program. Cascade's state-of-the-art electric arc furnace steel mill uses recycled scrap metal as its feedstock.

At the heart of the business we are renewable – using recycled metal to make new, high quality steel products that can be recycled again and again. Sustainability starts with our business model. Recycling metal instead of using virgin ore to create new steel products saves energy and natural resources. By using recycled metals, the steel industry saves enough energy each year to power 18 million households. Recycling one ton of steel conserves 2,500 pounds of iron ore, 1,400 pounds of

coal and 120 pounds of limestone. Creating products from recycled steel instead of virgin ore uses 40% less water and reduces mining wastes by 97%.

By setting reduction goals without considering available technologies used in reduction or alternative energy and raw material sources, the proposed bills are unlikely to create a climate where EITEs can both comply and remain competitive. Programs like these increase electricity costs for business and residential customers. GHG emissions are linearly proportional to energy consumption. As a result, a mandate to reduce GHG by 20 percent, 45 percent and up to 80 percent means that manufacturers who cannot further reduce emissions will have to reduce energy consumption by the equivalent amount. Measurable reduction in energy consumption can only be achieved through reducing production. Many businesses, such as ours, are already operating as efficiently as possible because energy savings impacts the bottom line. For industries that produce products using electricity and natural gas, which are the cleanest form of energy, compliance will require reducing production by up to 80 percent or substituting production through trade. Neither option is sustainable for manufacturing businesses nor beneficial to the environment in the long run. Because we do value and support sustainability and the environment as core missions, Schnitzer would welcome the opportunity to continue working with the Legislature to craft a program that can provide additional certainty around the projected costs by codifying allowances in statute.

Thank you for the opportunity to submit this testimony and for your consideration. Please don't hesitate to contact me if you have any questions or would like to further discuss this issue.