

March 9, 2009

The Honorable John A. Boehner
1011 Longworth House Office Building
Washington, DC 20515-3508

Dear Congressman Boehner:

Our company and its employees have produced steel in Butler County, Ohio since 1901. Butler County continues to be home for our corporate headquarters, research facility and largest integrated steel plant, which together employ about 2,500 men and women. Our operations contribute nearly \$500 million to the local economy, and more that \$4.5 billion state-wide annually. That could change dramatically if Congress passes climate change legislation that imposes a huge and increasing financial burden associated with greenhouse gas emissions, especially carbon dioxide (CO2).

The scientific debate related to the existence or causes of global climate change is anything but settled. However, the impact, to AK Steel and other steel producers in the United States, of any legislation or regulation designed to extract a significant and increasing cost for CO2 emissions, is certain – our costs will increase substantially and our viability as a company and a globally-competitive industry will be threatened.

In this regard, it is imperative that Congress and the Administration fully understand the following facts and ramifications of climate change legislation on U.S. steelmakers and their employees:

- 1) All steel production in the world is dependent on initially transforming mined iron ore into molten iron in a blast furnace (integrated process). This process requires, by the physics of nature and current technology, significant amounts of carbon, derived from metallurgical - grade coal, and results in the release of CO2.
- 2) While AK Steel and other U.S. steel companies are funding research to develop breakthrough technologies for low- or zero-emissions ironmaking, such advances are decades from commercial development. Thus, there is no technological alternative today, or in the near future, to produce steel without the CO2 emissions inherent in blast furnaces.
- 3) Steel is the most recycled material on earth, with an overall recycling rate of 82.5 percent. Most of the steel recycled is produced by melting scrap steel using the electric arc furnace (EAF) process. While the CO2 emissions per ton of steel produced from EAFs are significantly lower than from the integrated process, most of the electricity required to power EAFs is derived from coal-fired generation. Thus, climate change legislation that raises the cost of coal-fired electrical power will significantly harm EAF and integrated steel producers in the United States.
- 4) U.S. steelmakers are already among the most energy efficient in the world, and have reduced energy consumption per ton of steel produced by 33 percent since 1990, the Kyoto Accord benchmark year. The U.S. steel industry is the only significant industry in the United States to reduce total energy consumption while increasing production from 1990 to 2005.
- 5) The U.S. steel industry today is globally competitive in quality, costs, productivity and environmental responsibility. The industry has undergone massive consolidation and restructuring. New labor agreements make U.S. steelworkers among the most productive in the world.

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Given these facts, AK Steel is extremely concerned that climate change policies, as outlined by the Administration, will result in the following consequences to AK Steel and other steelmakers and their employees:

- Without any technological alternative currently available to steelmaking through the integrated process, a 100 percent auction for emission allowances will result in an unavoidable and escalating tax to AK Steel and other integrated producers. The only way to reduce this increased cost of business will be to reduce production, resulting in a subsequent reduction in employment. Using 2005 as a baseline year for emissions completely ignores the significant energy and emission reductions accomplished by the U.S. steel industry since 1990.
- If imported steel sold in the United States is not subject to equal treatment of CO2 emission limits, foreign steelmakers will enjoy a significant and increasing cost advantage to domestic producers.
- Steel demand will continue to grow worldwide to support growth and development. Without a global sector approach to climate change policies, steel production, and its associated jobs, will quickly migrate to developing countries with the least stringent emission regulations. The result will be an actual increase in global CO2 emissions related to steelmaking, and the demise of the U.S. industry.

Congressman Boehner, any response to global climate change issues must absolutely be equitable and global in scope. For Congress to impose strict and costly regulations on U.S. steelmakers, and other globally-competitive, energy-intensive employers, without consideration of the international trade competitiveness issue, is to figuratively sign the death certificate of U.S. manufacturing.

Sincerely,

