Testimony

of

Roxanne Brown
International Vice President At Large
The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW)

for the

Subcommittee on Environment and Climate Change and the Subcommittee on Energy

of the

Committee on Energy and Commerce

hearing on

"Securing America's Future: Supply Chain Solutions for a Clean Energy Economy"

November 16, 2021

Chairman Tonko, Chairman Rush, Ranking Member McKinley, Ranking Member Upton, and members of the subcommittees, my name is Roxanne Brown. I am honored to serve as International Vice President at Large for the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, commonly known as United Steelworkers or USW. I thank you for the opportunity to testify today at this important hearing. Our union is grateful to you for holding this hearing to discuss supply chains for the clean energy economy. Manufacturing is, of course, where much of the economic benefit will lie for communities as new technologies are deployed and as we rebuild our nation's infrastructure.

Introduction

The United Steelworkers is the largest industrial union in North America with membership primarily concentrated in energy-intensive, trade exposed industries. Our members work throughout the potential supply chain of all of the products, components, subcomponents, and raw materials that underpin our manufacturing economy now, and which will be necessary to build the clean energy economy. USW members stand ready to build the clean energy economy, which if managed correctly, can and will be a driver of the creation and retention of good, family-supporting jobs throughout the economy

The economic transition driven by both policy and corporate decisions is underway and only accelerating will be nothing less than the most massive economic undertaking this nation has ever attempted, and both the potential gains and potential losses are enormous. Simply put, the transition to a clean energy economy is a huge manufacturing effort, and if done correctly and with adequate governmental support, can and will ensure the preeminence of the American manufacturing sector for the rest of the 21st century and beyond. This will only happen, however, if we ensure that the products and materials that will be required are made here in America by American workers.

American manufacturers and manufacturing workers are the best in the world, with the most efficient production methods and best environmental performance. If our energy goals, our climate goals, and our economic goals are to be achieved, it is crucial that this already-existing base of excellence is not only maintained, but expanded as we build out a supply chain of American-made products that will be the backbone of the clean energy economy now and in the future.

Identifying Clean Energy Supply Chains and Domestic Sources

As the economy changes, many of the existing technologies will either be changed or replaced. This is an exciting time for innovation, and it presents a lot of opportunity for economic growth in the United States.

The first step in securing domestic supply chains for the clean energy economy is to identify the technologies for with it is strategic and necessary for the United States to have a reliable domestic supply chain. Energy security of the future will not just be defined based on where our fossil fuels come from, but also by whether we can manufacture the materials necessary to generate clean power from renewable sources and other clean energy technologies, like nuclear energy.

Congress and the Administration must consider the broad suite of clean energy technologies – like wind, solar, geothermal, nuclear, and battery storage – as strategic and develop strategies for the supply chain for each of them. We also urge you to pay special attention to the supply chains for other technologies important to our clean energy future aside from power generation as well, including building materials for energy efficiency; carbon management like utilization and direct air capture; batteries and charging stations for electric vehicles; and emerging fuels like hydrogen. It is also important that lawmakers leave open the possibility that there are technologies to be developed and don't limit policy frameworks to existing technologies.

Develop an Industrial Policy

Secure domestic supply chains will only grow if Congress and the Administration make intentional choices to develop sound industrial policy and a strategy for investing in the manufacture of these technologies. This is what other countries are doing, and it is necessary for us to compete globally.

An example we should learn from is the solar industry. This technology was developed years ago using Department of Energy (DOE) funding, yet our government did not prioritize retaining manufacturing once the technology was commercialized. U.S. manufacturers did make some components over the years. For example, USW members at Corning made glass for solar panels at one time, but they could not compete once China's industrial policy sought to dominate the global market. USW members in other industries could have also made other solar related components and seen job loss to anti-competitive practices by China. Earlier this year, USW member Joe Wrona testified at the Senate Finance Committee about how his plant announced efforts to expand into the solar supply chain only to close less than a decade later in part because of China's dominance in the industry.[1]

Now, the solar supply chain is dominated by China and reliant on forced labor in the Xinjiang Region. Our union and the AFL-CIO agree that this has to change.[2] The United States government must make a commitment to maintain, strengthen and expand the withhold release order (WRO) applied to solar products produced in whole

[1] https://www.finance.senate.gov/imo/media/doc/Wrona,%20Joe%20(USW)%20-%20Testimony%20for%20SFC%20Forced%20Labor%20Hearing.pdf

[2] https://aflcio.org/about/leadership/statements/building-clean-energy-jobs-global-solar-supply-chain

or in part with forced labor. It must also commit to building out the solar supply chain in the United States.

Another example to learn from is the lithium ion battery supply chain. This is the most widespread technology for electric vehicles at this time. The European Union has developed a multi-faceted strategy that includes the European Battery Alliance, research & development investments, policy on sustainable battery supply chains, and rules of origin on localization of the lithium ion battery supply chain. The United States needs a similar multifaceted policy ecosystem aimed at growing manufacturing to build our own supply chain for batteries to compete in the global economy.

We can and should learn from these policies by other countries and not make the same mistakes twice. The United States should ensure that technology developed here with U.S. taxpayer dollars is also manufactured and deployed here.

Long-Term Investments in American Manufacturing

A foundational bedrock of investing in manufacturing is Buy America policy, which creates demand for manufactured materials and provides certainty to companies, which is very necessary when manufacturers are taking risks to retool facilities to make new materials for a new technology. This is important whenever taxpayer money is spent to support the buildout of infrastructure or growth of technologies because taxpayers overwhelmingly want that money to be spent creating jobs here in the U.S.

Buy America works best, driving production and job growth in the U.S. while preventing cost or time overruns in projects, when it is applied consistently and strongly. In short, federal spending or federal assistance for the buildout of clean energy technologies should be accompanied by a Buy America requirement.

To provide one example of where Buy America requirements would have helped, I want to point you to the USW-represented facility in Aurora, OH where our members make giant ring bearings. About a decade ago, eager to capitalize on the opportunities in the wind energy market, the company secured investments in the facility, hired additional workers, and began producing the huge metal rings for wind turbines. But they could not compete with foreign-made products and eventually eliminated those jobs created a few years earlier because they did not have stable wind energy customers.[3]

In addition to those demand-side policies, Congress should also look to implement supply-side policies to help U.S. companies grow these supply chains from mineral extraction to manufacturing and end-of-life recycle of the materials.

[3] https://www.usw.org/blog/2021/investing-in-american-prosperity

Of course, critical minerals are necessary for these technologies, and the Administration has identified some of the most strategic minerals in these supply chains. Our union is a mining union, and we support the permitting for responsible extraction of these minerals here in the United States, where deposits exist, and the development of trading relationships with reliable allies who also prioritize responsible mining.

The members of USW Local 11-0001 at the Sibanye-Stillwater mine in Montana provide a good model for responsible mining with their Good Neighbor Agreement that is two decades old. This agreement between the company, the union, and the community outlines a joint decision-making process for making changes at the mine and protecting the environment, while still allowing for the extraction of platinum, palladium, copper, silver, and nickel to sell to medical, defense, and clean energy customers.[4]

Congress has already taken important steps on critical minerals with the passage of the Infrastructure Investment and Jobs Act ("IIJA") (H.R. 3684) by creating new initiatives at DOE on critical minerals R&D on mining, recycling, and reclamation and expansions to eligibility under DOE loan programs.

Manufacturing of the many materials and components for clean energy supply chains must be similarly prioritized by working with manufacturers to help them understand market opportunities and retool to make materials for these clean technologies.

Our union has long advocated for funding support for key domestic clean energy manufacturing in the form of an industrial bank or broader manufacturing grant and loan programs to support the retooling of existing facilities and the standing up of new manufacturing facilities. The Build Back Better Act (H.R. 5376) contains many important provisions that speak to these recommendations, such as the revival of the 48C tax credit, the creation of clean technology supply chain manufacturing tax credits, funding to the DOE Advanced Industrial Facilities Deployment Program and Loan Program Office, along with funding to the Department of Commerce for identifying, demonstrating, and deploying advances for manufacturing supply chains and supply chain resiliency.

Congress should also investigate and help stimulate the opportunity for new and existing businesses at the end of life of some of these clean energy technologies. R&D efforts should help ensure these technologies can be disassembled and the materials can be reprocessed by U.S. businesses to be put back into the supply chain. This will be particularly important for batteries, but is also relevant for other technologies, like wind turbines.

---

[4] https://www.usw.org/blog/2021/confronting-the-next-crisis

U.S. manufacturers and their workers can and will adapt to make materials for the clean energy economy if they have the opportunity. The federal government must support their efforts by identifying strategic supply chains and components, helping to create demand for U.S.-made products, and supporting R&D and manufacturing retooling.

Competitiveness & Challenges from Abroad

A well-designed suite of supply-side investments and demand-side drivers can and will spur the development of domestic supply chains for clean energy projects and throughout the economy. Still, Congress must be mindful that as this transition progresses both as a part of and alongside the U.S.'s climate goals and reduced greenhouse gas emissions, the potential exists that upfront costs to manufacturers will arise. This is particularly true for energy-intensive, trade-exposed manufacturers like many where USW members work.

Because these industries are uniquely sensitive to energy costs and trade pressures, they are uniquely at risk of facing rapid and massive production shifts offshore if care is not taken to prevent this leakage of both jobs and emissions. If leakage is allowed to occur, much of the gains already realized and on the horizon from the building out of these supply chains will be imperiled or hollowed out.

In many cases, the supply and demand-side drivers I discussed previously will ameliorate these risks, but it is not guaranteed that it will eliminate all such risks. Congress must be willing and ready to take action immediately to prevent leakage if it arises. This action may come in the form of a carbon border adjustment mechanism or some other policy. The key, however, must be swift action. In commodity industries, even small cost increases not borne by foreign competitors can cause massive and fast production shifts offshore. Ensuring this does not happen is absolutely critical to ensuring that the development of supply chains for the clean energy economy achieves its promise of creating and maintaining good, family-supporting jobs throughout the supply chain and throughout the U.S.

United States Innovation and Competition Act (USICA)

The USW has been closely monitoring the House response to S.1260, the United States Innovation and Competition Act of 2021. The legislation has the potential to dramatically upgrade U.S. international competitiveness if constructed in a fashion that ensures good jobs and environmental policies are built into the legislation. Working with the Energy and Commerce Committee, and Representatives Blunt-Rochester, Malinowski, and Kinzinger, we are pleased to support H.R. 5495, the Building Resilient Supply Chains Act. This legislation would establish an office of supply chain resiliency and crisis response to encourage manufacturing growth and other key policy priorities.

The legislation has the potential to provide significant fiscal resources to retool American manufacturing in critical supply chains, but also contains provisions that will ensure federal dollars create good jobs and discourages corporations from using federal dollars to fight worker rights. An employee's voice in their workplace has been a commerce issue since the establishment of the National Labor Relations Act (NLRA) in 1935. Commerce is mentioned 69 times in the original NLRA alone.[5] As the federal government renews our economic leadership, fighting inequality must not be put in doubt, and H.R. 5495 strikes an effective balance of worker/employer power when federal dollars can provide up to 80 percent of a project's costs.

The union is also closely reviewing and has significant reservations regarding H.R. 5492, the Manufacturing Economy and National Security Act. Provisions in the bill which would provide federal resources to move supply chains from "countries of concern" to third party countries could lead to reduced reshoring of manufacturing and corporations using federal dollars to shift goods that have existing anti-dumping and countervailing duty orders (AD/CVD) to third party countries to then dump goods into the U.S. market again. The legislation also makes no effort to ensure shifted production does move to countries which have higher greenhouse gas emissions or equivalent environmental standards than the U.S.

H.R. 5492 also provides resources to "equity capital" with a goal of aiding or growing manufacturing, and while the goal of leveraging private funds with public dollars is worth exploring – it must be a careful path or federal dollars will harm U.S. workers. The union has seen private equity undermine workers' rights, and undermine economic security of local communities. For example, Ampad a paper company which was taken over by Private Equity investor Bain Capital, was loaded up with unnecessary debt, workers lost their pensions, and forced to re-apply for the jobs that many had worked at for decades because of a new owner.[6] To better understand these concerns it is helpful to reference the Center for Economic and Policy Research Co-Director Eileen Appelbaum who testified at the Senate Committee on Banking, Housing, and Urban Affairs Subcommittee on Economic Policy in October of 2021, "Private equity is poised to buy up broad swathes of the U.S. economy with no limit on how much debt they lever on the company, no limit on how much wealth they can take out, and no limit on how hard they can squeeze the employees. A study examining private equity buyouts of private companies found that when private equity takes these companies private employment declines by 13% in just the first two years".[7]

As the Energy and Commerce Committee and the House of Representatives look to address U.S. competitiveness in a host of policy arenas, the USW wants to

[5] https://www.nlrb.gov/guidance/key-reference-materials/national-labor-relations-act
[6] https://abcnews.go.com/blogs/politics/2012/05/what-bain-capital-left-out-of-its-ampad-defense
[7] https://www.youtube.com/watch?v=LPV_a_wT6FY&t=4355s

ensure that precious taxpayer dollars are used effectively and do not lead to unnecessary job loss or low wage job creation.

U.S. – EU 232 Steel and Aluminum Arrangement

As the largest union in the steel and aluminum sector, our union has a significant interest in ensuring the long-term viability of the domestic industry. Steel and aluminum workers have faced a decades-long onslaught of excess capacity and state directed production which undermined national security in products that are vital to defense, critical materials, and infrastructure. These are just a few reasons why our union supported the section 232 investigations on steel and aluminum products and why we've supported strategic efforts to better manage trade in these commodities.

The recent arrangement between the U.S. and the EU on steel and aluminum is a good example of how the Biden Administration navigated international policy waters to reduce trade tensions and get better commitments to tackle overcapacity issues and greenhouse gas issues in these sectors.

The USW and our employers worked with the Administration to secure a deal which holds EU steel import volume levels below historic norms through a tariff rate quota (TRQ). A TRQ will allow the domestic industry to continue to operate at high levels, while allowing downstream consumers access to allied production. The arrangement also requires that EU steel imports be "melted-and-poured" in Europe. This is a recognition that semi-finished steel not produced in the U.S. or EU had the potential of seeping through the arrangement and will bolster EU and U.S. steel production. For the next 24 months, the U.S. and the EU will discuss overcapacity issues and climate related issues in this sector as well.

As the U.S. and the EU are the least carbon intensive steel regions in the world, the USW looks forward to working with our industry partners and governments, both in the U.S. and EU, to ensure that we create a high-water mark for steel policy in the twenty-first century that will expand domestic employment, reduce greenhouse gas emissions, and create good jobs.

Ensuring Resiliency

Resiliency is also particularly important to having secure domestic supply chains. Global supply chains are currently struggling to recover from COVID, but there is the possibility of other interruptions, like from extreme weather events.
For example, members of our union have been impacted by the semiconductor shortage this year. USW Local 105 at Arconic in Davenport, Iowa and USW Local 9231 at Cleveland Cliffs in New Carlisle, Indiana both supply the auto industry and

have had slow-downs of their work because the auto industry's production has slowed due to the semiconductor shortage.[8]

Policymakers should be working to develop redundancies and localize as much as possible to prevent untenable delays.

Conclusion

The transition of the U.S. and global economy to a clean energy economy is not one that everyone is looking forward to. American manufacturing workers have a great deal of skepticism about what this will mean for them, their jobs, and their communities. That skepticism is well founded after so many decades of policy-making have left manufacturing communities hollowed out.

But that regrettable history does not have to continue into the future. For this transition to be successful, manufacturing workers and their communities must be the leaders of this transition, not the victims of it.

Our union thanks you again for holding this important hearing, and we look forward to working with you to make our vision a reality for manufacturing workers.

[8] https://www.usw.org/blog/2021/americas-supply-chain-crisis