

**TESTIMONY OF DAN DIMICCO
NUCOR CORPORATION**

**BEFORE THE HOUSE ENERGY & COMMERCE COMMITTEE
SUBCOMMITTEE ON ENERGY AND AIR QUALITY**

Hearing: “Addressing Climate Change – Views from Private Sector Panels”

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Introduction

Good morning. I am Dan DiMicco, Chairman of the Board, CEO, and President of Nucor Corp. I would like to thank Chairman Boucher, Chairman Dingell, Congressman Barton, and the other members of the subcommittee for giving me the opportunity to share my views about climate change. Our focus must be on the future. This means that China, India, Brazil, Russia, and other “developing” economies are the linchpins to any effort to address this global problem.

Nucor is one of the two largest steel producers in the United States. Steelmaking is an energy-intensive industry, and any action on climate change is likely to affect us directly. A healthy steel industry is essential for the national security of the United States, as well as for our nation’s long-term prosperity. For these reasons, Nucor has worked with the Industrial Energy Consumers of America (“IECA”), an organization dedicated to finding solutions to America’s energy challenges. I am here today representing both Nucor and IECA.

The U.S. Steel Industry and Greenhouse Gases

Nucor is the country’s single largest recycler; we recycle over 20 million tons of scrap metal annually. We make all of our steel using electric arc furnaces. We use less than a third of the energy traditional methods need to make a ton of steel, and emit sixty-

seven percent less carbon equivalent emissions. Over the last five years, Nucor has further reduced the amount of energy needed to make a ton of steel by 17 percent.

Overall, the American steel industry has reduced its process-related carbon equivalent greenhouse gas emissions 39% below 1990 levels, even though we made 11% more steel in 2006 than in 1990. This is five times greater than the 7% reduction the Kyoto Protocol would have required of the United States. We are not done. We are developing revolutionary ways to make steel that use significantly less energy and produce much lower emissions. We took these steps voluntarily, and will take more, because it makes good sense for our business and for the environment.

The Global Nature of the Challenge

While the United States can do much to reduce greenhouse gas emissions, it cannot solve the problem by itself. *Climate change is a global issue that requires a global solution.* A global solution must include three of the largest economies in the world – China, Brazil, and India. While we think of these economies as “developing,” they are home to many of the largest, most sophisticated manufacturing companies in the world. These companies do not lack access to capital or technology. They do not need to be paid to control emissions.

For example, China is building the equivalent of an entire new U.S. steel industry every two years. Let me repeat: *China is building the equivalent of an entire new U.S. steel industry every two years.* (Over the last three years, China’s *increase* in steel production was roughly twice the total production in the United States or Japan.) (See Attached Chart from the American Iron and Steel Institute, North American Steel Council, February 7, 2007.) Brazil and India are also adding large amounts of new steel capacity. A recent study by the Center for Clean Air Policy projects that greenhouse gas

emissions by the Chinese steel industry will increase by 50 percent by 2010, while those of India will almost double. The International Energy Agency's "World Energy Outlook 2006" projected last year that China would surpass by 2009 the U.S. as the number one emitter of greenhouse gases.

These countries are receiving all of the benefits of the international system of commerce. They must also share its responsibilities, including the responsibility to control greenhouse gas emissions. Unless these countries are required to curb their emissions, any measures taken by the United States will be ineffective, and may be counterproductive.

Drawbacks of Cap and Trade Systems

An effective climate change program must encourage innovation and investment while discouraging "emissions migration," and with it the loss of good-paying jobs. Emissions migration occurs when manufacturing activities move from the United States to countries with much weaker regulation or enforcement, like China, to avoid the costs of greenhouse gas limits. The European Union, for example, has had a cap and trade system for greenhouse gases in place for some time. The EU system led certain European steelmakers to shift production to countries with no caps on emissions. In this way, the EU limits may actually have caused an increase in worldwide greenhouse gas emissions.

Another negative aspect of the EU cap and trade system is that, because allowances are based on past emissions, the system actually rewards the biggest emitters. Because new, efficient producers must buy allowances to expand production, it may be economically difficult or even impossible for them to enter the market. The U.S. industry was able to make the improvements I described earlier because more efficient producers,

like Nucor, were able to expand production – in our case, by 600 percent since 1990. Had an EU-type system been in place in the United States, this might not have been possible.

I urge this subcommittee to examine the EU cap and trade system carefully to avoid their mistakes, especially as to the allocation of allowances and the mechanisms by which the EU companies invested in China to generate allowances. I am a businessman, not a policy expert, but if the news reports are correct, massive EU investments went to preventing emissions of very potent greenhouse gases and at highly inflated costs. Yet U.S. companies apparently prevent these emissions voluntarily.

Suggestions for Immediate Action

IECA has identified a number of issues the Congress should first consider in addressing climate change. These issues are discussed in a short paper prepared by IECA, entitled “Eight Things Congress Should Consider Before Capping Greenhouse Gas Emissions.” One of IECA’s greatest concerns is the potential impact of climate change regulation on energy prices and especially natural gas and electricity prices. Higher energy prices will have an obvious impact on the American economy. An effective climate change program must first focus on developing sources of affordable energy with low carbon intensity. Today, only nuclear power, natural gas, and coal can provide energy on the scale our economy requires, but statutory barriers impede the construction of new nuclear power plants and drilling for new sources of natural gas.

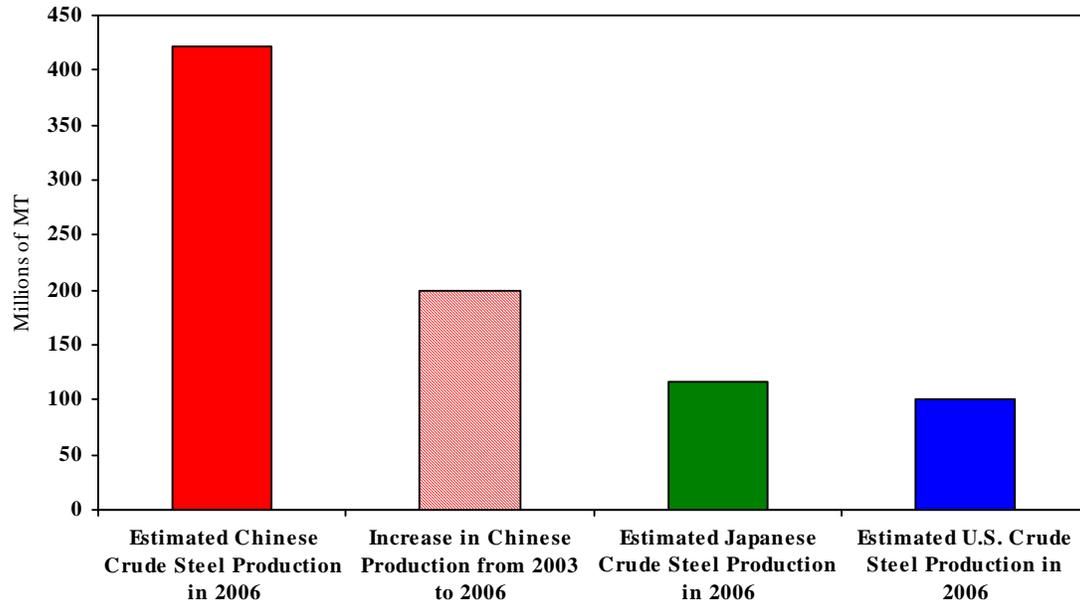
We will also need more renewable sources of energy, like wind and solar power. We must encourage and reward recycling and energy efficiency, including demand response programs. To complement these efforts, we must adequately fund research and

development on all aspects of responses to climate change, including carbon sequestration.

Conclusion

When I think about climate change and the U.S. manufacturing industry, my biggest fear is that those of us who have already made huge improvements -- far in excess of what Kyoto would have required -- will be subject to tight new emissions limits and higher energy prices, while our competitors in China, India and elsewhere are left free to produce and emit without restriction. If our carbon-intensive industries do move offshore, the United States will lose even more good-paying manufacturing jobs, further widening the wealth gap, while global greenhouse gas emissions rise. This is worse than doing nothing. A successful climate change strategy must remove statutory barriers to expanding low carbon intensive energy supply, effectively limit global greenhouse gas emissions, while preserving jobs and enhancing the prosperity of our country. Thank you.

Over the Last Three Years, China's *Increase* in Steel Production Is Roughly Twice the *Total* Production in the United States or Japan



Source: Data for China taken from World Steel Dynamics, Steel Thermometer (Dec. 21, 2006). Data for Japan and the United States taken from the International Iron and Steel Institute web page. U.S. and Japanese estimates based on production from January to November of 2006.