



Representing the Interests of America's Industrial Energy Users since 1978¹

GLOBAL CLIMATE CHANGE KEY POINTS December 2007

CIBO recognizes that climate changes occur due to natural variability and direct and indirect impacts of human activity that alter land use and the composition of the atmosphere. Carbon dioxide is the most important anthropogenic greenhouse gas (GHG), and those emissions are primarily dependent on human utilization of fossil fuels. Manufacturing employs 11% of the US workforce. It creates jobs for US communities and necessary products for US and world markets and requires energy inputs. Fossil fuel-derived energy is essential to human health and well-being, and climate change policy must balance energy use and economic development. GHG reduction requires advanced technologies, major capital investments, and changes in consumption. To minimize economic dislocation, policies must be applied globally.

CIBO SUPPORTS REASONABLE GHG EMISSION REDUCTIONS THAT

- promote a strong US economy, energy conservation and efficiency
- maintain diversified energy supplies and national security
- ensure the competitiveness of the US industrial base in the global marketplace
- foster reinvestment in US industrial infrastructure
- apply through a uniform, national program to all major economic sectors with tailored approaches for each sector

PRINCIPLES FOR SUSTAINING INDUSTRY WHILE REDUCING GHG EMISSIONS

Reducing GHGs will impact industry on multiple levels: higher cost of lower-carbon fuel, higher cost of purchased electricity, and direct compliance costs. Climate policy for industry should reflect these principles:

- US products – unlike electricity production – must compete in global markets. US climate policy should strive to keep manufacturing jobs in the US and ensure a steady supply of US products to world markets.
- New technologies for industry will lower emissions. GHG emission reductions should be achieved through advanced technology, not through declining US productivity and harm to the economy. US regulatory policy should clearly support efforts to upgrade or replace older facilities.
- Emission reduction strategies should be flexible, including for example, market-based options, programs that enhance emission sinks, and programs that promote renewable fuels and energy sources. Solutions must be global and include developing nations to prevent migration of emissions (and jobs) from the US to other nations. Emissions trading and technology transfer could enhance the ability of US manufacturing to compete globally.
- Diverse, affordable energy sources (e.g., all carbon-based fuels, nuclear, hydropower, renewables) are vital to a healthy US manufacturing base. Continued reliance on coal will be required, but the US should support higher efficiency, cleaner technologies, and long-term CO₂ sequestration. For example, Congress should support CHP (Combined Heat and Power), which provides high efficiency energy conversion, improves grid reliability, and promotes bio-based fuels.

¹ CIBO is a broad-based association of industrial boiler owners, architect-engineers, related equipment manufacturers, and University affiliates with over 100 members from 20 major industrial sectors. CIBO members have facilities in every region of the US and represent almost every type boiler and fuel combination in operation. CIBO was formed in 1978 to promote the exchange of information within the industry and between industry and government relating to energy and environmental equipment, technology, operations, policies, law and regulations affecting industrial boilers. Since its formation, CIBO has been active in the development of technically sound, reasonable, cost-effective energy and environmental regulations for industrial boilers.

- Increased reliance on low-carbon fuels must be supported by increased domestic supply. The natural gas supply-demand imbalance has caused the loss of high-paying jobs and tax revenues to US communities.
- A fossil energy feedstock exemption is crucial to maintain global competitiveness of chemical manufacturing products. Similarly, a wood fiber provision should ensure US manufacturing is not jeopardized by renewable energy requirements.
- Free-market principles should be maintained and subsidies judiciously applied.
- No single technology can address climate change for the diverse boilers and fuels. The US should fund industrial technology R&D to speed development of technologies with broad possible application to US industry. Narrow demonstration projects should be avoided. The US should also support basic research to discover new low and non-GHG emitting energy supply technologies.
- GHG reductions should be achieved on a practical schedule to avoid economic disruption and should be consistent with business and capital reinvestment cycles, to ensure US industry remains internationally competitive.

CAP-AND-TRADE FEATURES FOR INDUSTRY

Potential implementation of a cap and trade system to control GHG emissions can include different concepts. The following are views relative to key potential concepts:

- Allowance Allocation - full allocation to industry without an auction to protect entities in globally competitive markets that cannot pass through program costs.
- Point of Regulation- hybrid approach to flexibly regulate upstream or downstream to minimize economic dislocations.
- Safety Valve and Periodic Reviews- annual review with look-backs and projections to guide program changes that avoid major dislocations/economic impacts; a safety valve is one method that could be used.
- Offsets- direct and indirect allowed with no percentage limitations, both domestic and global.
- Registry and Reporting - nationwide, for emissions and intensity; annual reporting; based on fuel use and other data for entities other than electric utilities that already use CEMS.
- Emissions Baselines- sector-specific with early 3-5 year average baseline.
- Credit for Early Action- widely available, including for efficient technologies and consolidation of production in higher efficiency facilities.
- Federal Preemption- state, regional regulation preempted by uniform national program with credit for action under those programs.