

**Congressional Steel Caucus
2022 State of Steel Hearing
July 20, 2022**

**Testimony of Lourenco Goncalves, Chairman, President & Chief Executive Officer
Cleveland Cliffs Inc.**

Good morning, Chairman Mrvan, Chairman Lamb, Vice-Chairman Bost, Vice-Chairman Crawford and members of the caucus. I am Lourenco Goncalves, the Chairman, President and Chief Executive Officer of Cleveland-Cliffs. I last testified before this caucus in March of 2020, just days before the start of COVID lockdowns. Since that time, we have acquired two steel companies – AK Steel and ArcelorMittal USA – and a major processor of scrap metal named Ferrous Processing and Trading Company. We also completed the construction of a state-of-the-art Direct Reduction plant, the first of its kind in the Midwest of the United States. With these investments, Cleveland-Cliffs has transformed itself from a pure play iron ore mining company into the largest producer of flat-rolled steel in North America, and the largest supplier of steel for the automotive industry. We provide employment for approximately 27,000 people, with over 20,000 employees represented by unions, including the United Steelworkers, the United Autoworkers and the International Association of Machinists.

Rather than deliver the same speech you have heard time and time again about the need of a “level playing field” and other tired references, I’m going to address a few key points that relate to the future of the domestic steel industry, and how our success can influence the Midwest and the American society.

First – we have, right now, a real opportunity to reverse this misguided 30-plus-year-old failure called globalization. And we can only do that by rebuilding the American manufacturing sector. Over the past two years, the United States has experienced two painful lessons in over-reliance on other countries: the COVID pandemic, and Russia’s war in Ukraine. The pandemic resulted in the realization by the broader society that the United States has outsourced to China and other nations the production of goods and materials needed for the health of our people and the basic functioning of our economy. Backlogged ports, trucking shortages and customs delays were not the cause of supply chain problems, but rather symptoms of the relentless and systematic outsourcing of American manufacturing.

The second lesson came with Russia’s invasion of Ukraine, and the grim realization that a conventional shooting war between global superpowers is an ever-present threat. The promise that unrestrained free trade would lead to a lasting global peace is a farce. The invasion was undeniable evidence of the strategic realignment of the world, with the United States and its allies on the side of democratic values, and with Russia and China using unbridled aggression to grow territory, suppress dissent and commit human rights abuses.

The underlying truth is simple: China and Russia want to stake claim to America's global influence. They are not our trading partners, or consumer markets to be tapped by American companies. They are, first and foremost, superpowers competing against the United States. If the United States is to continue to serve as the world's most influential leader, we must reclaim control of our manufacturing base. Said another way, giving up our manufacturing base – as we have been doing for more than thirty years – is equivalent to yielding power to our enemies.

In the wake of the hard lessons learned in the last two years, a number of companies are finally considering making investments in domestic manufacturing facilities and growing good-paying U.S. jobs. As the American vehicle fleet electrifies, we have a unique opportunity to build the entire EV supply chain in the United States. Cleveland-Cliffs, as the largest supplier of automotive steel in North America, is on the cutting edge of developing and supplying steel products for electrification – such as advanced high-strength steels for battery enclosures, and non-oriented electrical steels for electric motors. For this electrification revolution to succeed, however, we have an urgent need to re-shore production of microchips and many other manufactured components. I implore Congress to pass the CHIPS Act now – that's a good start.

Next, I need to re-emphasize that the United States has the most technologically advanced, carbon efficient steel industry on the planet. Europe likes to pretend that its steel industry is more advanced than the American steel industry. It is not. In fact, Europe finds itself in an impossible situation, having to rely on natural gas from Russia to support manufacturing and basic needs such as home heating. The United States has abundant natural gas that is being employed as a lower-carbon fuel source to reduce Greenhouse Gas emissions. Europe talks about hydrogen and carbon-free steelmaking, but that's all just rhetoric. With what we already have in place and with no need to further investment or massive subsidies, the United States is poised to lead the world in clean steel production for the next century.

Finally, it's time for the United States – in particular the traditional steelmaking region of the American Midwest – to realize what we have: a skilled workforce, raw materials, fresh water, and technology. We have the means of producing steel, and the very best consumer market on the planet. The United States is suffering an identity crisis at present, beset by divisive politics, and fatigue from the events of the past two years. But, fundamentally, the United States is still a great country, one that rewards hard work and values community over ideology or partisan affiliation. The power to bring back what is good in America does not reside on Wall Street, and will not come with the last pre-packed idea from abroad. I ask that you, as our elected officials, reflect the goodwill and common sense still present in our communities and our people; the same ones that elect you. Manufacturing in the United States is necessary for good

paying jobs, capitalism, and a peaceful society. That's all we need to reclaim our glory and to continue to be the envy of the world. Thank you for the opportunity to testify.