



Statement of Tracy Porter

Executive Vice President, Commercial Metals Company

Congressional Steel Caucus Hearing

July 20, 2022

Introduction

To Co-Chairmen Mrvan [*pronounced Mur -Van*], Lamb, Crawford and Bost thank you for the opportunity to address the Congressional Steel Caucus this morning. I appreciate your support of the U.S. steel industry and the U.S. industrial manufacturing base. I am Tracy Porter, Executive Vice President of Commercial Metals and past Chairman of the Steel Manufacturers Association. I am honored to appear before the Caucus and provide our perspectives on the American steel industry and our policy priorities.

Founded in 1915, CMC is a global leader in sustainable recycling, manufacturing and fabrication of steel and metal products, and is a leading provider of construction reinforcement solutions. CMC is a Fortune 500 company with over 12,000 employees globally. With over \$8.5 billion net sales during the last 12 months, CMC is reinvesting in American manufacturing with new steel mill operations in Arizona and a

recently announced steel mill that will be located in the Eastern, United States.

As the largest manufacturer of steel reinforcing bar (rebar) in North America and Central Europe, we are a key supplier to construction and infrastructure projects across two continents. In addition to rebar, CMC also produces merchant bar, steel fence post and wire rod, making us a leader in the long steel products market.

Our products go mostly unseen, but support virtually every element of modern life - from highways, bridges and airports, to skyscrapers, sports stadiums, hospitals, equipment that produces our goods and trucks and rail that delivers products we use every day. Steel is critical to the national security of this country.

Since melting our first heat of steel in 1962, we have manufactured steel using 100% recycled scrap metal and electric arc furnace (EAF) technology, which is far more efficient and environmentally friendly

than traditional blast furnace technology, using 82% less energy than the industry average and producing 63% less CO₂ per ton of steel we melt. This process allows us to give new life to the scrap metal we collect at our recycling facilities, saving over 19 billion pounds of scrap from being landfilled each year. We are among the lowest carbon intensity and most energy efficient steelmakers in the world.

CMC is making record investments that are creating jobs, expanding product offerings and building the futures of communities. In fact, American steel companies have announced some of the largest capital investments ever in states and counties across the country.

Domestic steelmakers continue to make investments that will modernize, decarbonize and electrify the American steel industry. These investments include greenfield facilities, process optimization, equipment upgrades and renewable energy. This will lead to a more efficient and lower carbon intensity steel industry. We are proud to be among the companies leading the way.

Currently under construction in Mesa, Arizona, our third steel micro mill will have the ability to directly connect to renewable energy sources and will be the first in the world capable of producing both reinforcing bar and merchant bar. Located adjacent to our existing CMC Steel Arizona, which was the first successfully operating micro mill in the world, our new mill is currently scheduled to commission in 2023.

We also recently announced plans to build a fourth micro mill in the Eastern U.S. Micro mills are the most efficient and green steelmaking process available in the world today and these investments will enable CMC to produce 1/3 of our steel in North America in micro mills, which use 26% less energy compared to traditional mini mills and generate 40% less greenhouse gas.

I would like to add that CMC has extensive steel operations in Poland. Given continuing hostilities and ongoing devastation, the

number of refugees from Ukraine has grown to over 3.5 million, which is equal to nearly 10% of the Polish population.

No government can possibly be prepared to house, feed and care for such a massive and sudden migration of people. Much of the burden has fallen to the Polish citizens who have responded with remarkable compassion and empathy. I am extremely proud of the efforts of CMC's team in Poland to assist those in need. CMC continues to collaborate with well-known humanitarian aid groups that specialize in helping victims of armed conflicts and natural disasters, and has also made CMC accommodations available to refugees

With a best-in-class safety record, diverse and innovative employees, process technologies that help reduce carbon emissions, and a commitment to helping the communities in which we operate, we are the definition of a responsible corporate citizen.

I would like to highlight three important topics during my time with you today. Infrastructure investment, trade policy and sustainable steelmaking.

Infrastructure Investment

Our country depends on a vast network of critical infrastructure - airports, roads, bridges, freight rail, ports, and electric grids - to keep our economy humming. The age of many infrastructure systems, strains on supply chains as well as rising maintenance and safety costs, are inhibiting our nation's economic performance.

We applaud the bi-partisan passage of the Infrastructure Investment and Jobs Act. This \$1.2 trillion package is focused on traditional, steel intensive projects that will make our economy more competitive. The package is expected to increase rebar demand by 1.5 million tons and result in a 17% increase rebar in consumption. However, this positive development can only happen if we have strong domestic procurement preferences and strong trade law enforcement.

If we genuinely want to have a stronger economy a more competitive steel industry and improve the environment, we must ensure that we build our Nation's infrastructure with steel that is made *by*

Americans for Americans. We must be committed to strong domestic procurement preferences in the Infrastructure Investment and Jobs Act. This will have the dual benefit of creating good paying jobs and ensuring that we “build back better” using the cleanest, greenest steel available.

It is also imperative that Congress does more to encourage the administration to get federal funds flowing as quickly as possible so that projects can get underway. We would like to see increased coordination with state DOTs and streamlined permitting and regulatory requirements as well. \$1.2 trillion does us no good if it remains sitting in Washington, DC.

Maximizing job creation, with a heavy emphasis on high paying jobs that generate tax revenues, eliminating supply chain gridlock, and improving the surface transportation system should always be key objectives of any infrastructure investment plan. At CMC we stand ready to help the steel caucus and the administration to do just that.

Trade Policy

The Section 232 response, though not originally designed to offset the impact of unfair trade, provided a comprehensive response in pursuit of distinct national security concerns as well as stemming the flood of excess global steel supply into the U.S. market. In combination with targeted AD and CVD orders, the Section 232 measures have helped to restore balance to the U.S. market and to create the conditions necessary for the industry to begin recovering and reinvesting. It is our opinion that after the successful negotiation of Tariff Rate Quotas (TRQs) with the EU, Japan and the United Kingdom the remaining 232 tariffs as well as the quotas with Argentina, Brazil and South Korea remain intact.

The 232 tariffs have resulted in a decrease of unfairly traded steel imports, increased capacity utilization and spurred billions of dollars in investment announcements with minimal disruption to the domestic steel industry supply chain.

In terms of China, we must also realize that they are still engaging in market distorting practices. Reduced demand, COVID related lockdowns, and falling prices will cause Chinese producers seek an outlet for their subsidized excess capacity. The current 301 tariffs continue to be an important deterrent to Chinese non-market behavior.

Increasingly, the EU and Canada are using subsidies to make their steel industries look more like ours. *Imitation is not innovation.*

Subsidies to convert inefficient EU and Canadian steelmaking operations to existing EAF technology pioneered by American steelmakers has the potential to disrupt markets and add to global excess steel capacity. Over the last three years, American steel producers have spent over \$20 billion of their own money to make its industry more sustainable and more efficient.

Sustainability

Sustainable steelmaking comes naturally to CMC. We have been in the metals recycling business for over 100 years. The United States is already a leader in sustainable steel production. In the U.S., over 70 percent of steel is produced with electric arc furnaces. According to the Climate Leadership Council, American made steel products have over 75 percent less carbon intensity than internationally produced steel. We produce steel in our country at CO2 levels that other countries can only aspire to....*and we have been doing it for years.*

As there is increasing talk about Carbon Border Adjustment, we must not penalize American steelmakers and other manufacturers for their superior lower carbon manufacturing processes and environmental stewardship. Congress should seriously consider some type of carbon

border adjustment, which ensures producers of dirty foreign steel pay a premium to have the privilege to sell into our markets. We should not tax our domestic producers. Burdensome regulations are already doing that. Instead, we should level the playing field so that American companies are not at a competitive disadvantage. This can be done without imposing a domestic carbon tax. Instead, we should set targets that account for the degree to which foreign steel emissions intensity exceeds that of American-made steel.

Conclusion

American steelmakers can compete with anyone in the world. We lead the way in low carbon intensity steel production. We are an efficient industry that will continue to transcend every type of geopolitical and economic environment. With the support of sound government policies and free market principles we are poised to safely and sustainably make the steel that helps make our country secure and strong. I thank you for your attention and for your bipartisan leadership to support American steelmakers.