ASH GROVE CEMENT COMPANY

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TO: **House Committee on Energy and Environment**
Senate Environment & Natural Resources Committee

FROM: **Ash Grove Cement Company**

DATE: **February 7, 2018**

RE: **Opposition to HB 4001 & SB 1507**

Chairs Dembrow & Helm and members of the Senate Environment and Natural Resources Committee & the House Committee on Energy and Environment the Ash Grove Cement Company respectfully submits testimony in opposition to HB 4001 & SB 1507, which would have the unintended consequence of increasing carbon emissions. The impacts of this bill in relation to our plant alone could be to *increase* CO_2 emissions by roughly 380,000 tons per year.

Many legislators have taken the time to visit with company representatives in advance of introducing carbon legislation previously. Ash Grove laid out a clear description of how Oregon's sole cement manufacturing plant is energy intensive and trade exposed under the carbon reduction policy in this legislation.

Ash Grove Cement is a 135-year old company, and its 112 employees operate Oregon's only cement manufacturing plant. The plant complies with all applicable state and federal regulations governing safety, environment and labor. Our cement plant has a modern and energy efficient kiln. Approximately 80 of the employees are members of the following unions: International Association of Machinists and Aerospace Workers, District Lodge No. 24, Willamette Lodge No. 63, AFL-CIO; International Brotherhood of Electrical Workers Local 112, AFL-CIO; Teamsters Food Processors, Chauffeurs, Warehousemen and Helpers Local No. 670; Laborers Local No. 12; and International Union of Operating Engineers Local No. 701 and our employees share our concern with the carbon policy under consideration.

Cement manufacturing requires that crushed limestone and other raw materials be heated to temperatures up to 3000°F to obtain the desired cement compounds. The necessary cement compounds do not form at temperatures below 3000°F. Making cement essentially consists of taking a molecule of $CaCO_3$ (limestone) and heating it until it converts to CaO (lime). In other words, making cement

requires the liberation of CO_2 from limestone. The CO2 released from the heated limestone cannot be controlled or reduced, no matter where it is produced or the efficiency of the process used to produce it.

Ash Grove's Durkee plant is a trade exposed industry. It costs roughly the same amount to ship a ton of cement from China to Portland as it does to ship that same ton from Durkee to Portland. China is awash in excess cement manufacturing capacity, having more than 15 times the production capacity of the U.S. Cement is considered a true commodity in that foreign cement meeting ASTM standards is largely indistinguishable from Oregon-made cement meeting ASTM standards. As a result, we compete daily with cement made in foreign countries that is imported to the Port of Portland. The foreign manufacturers do not have the same costs for labor, fuel and raw materials, nor do they have the environmental, safety and labor regulations required of U.S. manufacturers, thus imported cement is less expensive to produce. There are numerous prominent Portland projects, such as the International Airport parking garage, that were built using cement supplied by foreign sources. Adding costs to the cement manufactured in Oregon by levying a carbon tax, or by imposing a cap & trade system, will cause cement made in Oregon to be even less competitive with imported cement.

Carbon policies mirroring California or British Columbia cannot be replicated in Oregon without driving out the only local cement production facility. Those 112 jobs in Durkee and Eastern Oregon will be lost permanently if the carbon policies under discussion are applied to Oregon cement operations.

In addition to job loss in Oregon, **the unintended consequences of this policy will be a net increase rather than a decrease in carbon dioxide emissions**. Manufacturing cement requires a lot of electricity. The vast majority of Chinese electricity is generated from coal. Not so in Oregon. Shipping cement from China may be cheap, but not for the environment. Shipping a single ton of cement from China to Oregon results in almost 700 lbs of CO_2. Every time a ton of Chinese cement is used in Oregon instead of Oregon-made cement, the environment sees roughly 760 lbs of CO_2 that would not occur if that ton of cement were made in Oregon. **If the manufacturing capacity at Durkee is lost to Chinese competition because of a carbon tax or cap and trade program, then, in addition to the loss of approximately 80 union jobs, global emissions of CO_2 will increase by roughly 380,000 tons per year.**

We urge you to consider very carefully what you are trying to achieve and the net effect that proceeding with carbon regulation will have on energy intensive trade exposed industries in the state. As written, this policy will serve to increase emissions in countries where emissions are not highly regulated, and it will destroy domestic jobs that sustain Oregon families and export those jobs to countries where worker safety is not protected and where workers lack the economic advantages that we offer in the United States

Not long ago, an Eastern Oregon journalist contacted our company to ask how that publication's readers could help convey the message to legislators what impact our jobs have on the region's economy. Ash Grove Durkee is often compared to large Portland area companies for the favorable economic impact we have on the region. There should be no rush to end the tradition of Oregon made cement by enacting ill-conceived policy, nor should there be a rush to boost global carbon emissions by increasing the quantity of imported cement. We urge you to seriously consider our testimony and reject this policy or modify SB 1507 & HB 4001 to statutorily exempt Ash Grove's Durkee plant and other energy intensive trade exposed industries in Oregon from this policy.