

Testimony of  
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Hearing on  
The Challenge of China's Green Technology Policy and Ohio's Response  
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Good morning. I'd like to thank the commission for giving me the opportunity to appear before you today to give the perspective of American workers on the opportunities offered by the growing clean energy technology sector, as well as the challenges posed by China's clean energy policies.

My name is David McCall. I am the District Director of the United Steelworkers for the district that encompasses Ohio. As I think you know, the more than 850,000 members of the United Steelworkers produce more than just steel. We supply almost every sector of the economy and produce a wide array of products and services, including paper, glass, ceramics, cement, chemicals, oil, aluminum, tires and rubber. We also represent workers in health care and the public sectors. We are ready to help lead the way in the development of new clean energy technologies that will allow the US to rebuild our economy while mitigating the amount of destructive carbon pollution that is being produced now.

We all share the same hope for the development of a clean energy technology sector that provides a sustainable long-term solution to America's energy and economic needs. Still, it is critical that in devising policies to bring about the growth of these technologies, special attention is paid to the manufacturing sectors that will make them. If the US puts in place policies that will encourage the development not just of clean energy technologies, but of the manufacturers and the supply chains, the twin goals of clean energy and robust job creation can be achieved. If, on the other hand, the US simply trades a dependence on foreign oil for a dependence on foreign solar panels and hybrid batteries, it will have missed a huge opportunity to reengineer and retool our economy for this and the next century.

I would like to discuss a few of the potential policies that can have a large impact on the development of clean energy technologies. On the federal side, many of these have been and must be included in a comprehensive energy and climate package that incentivizes clean energy and jobs. The first thing that is critical to the development of the clean energy technology sector is access to capital. Starting a new manufacturing operation requires a great deal of startup capital, as does retrofitting existing production lines to make new clean energy products. During the latest economic downturn, companies have had trouble getting credit even for necessary maintenance, let alone the sort of long-term investment capital that this process requires.

Policies that lower this high barrier to entry into these markets will allow the sector to be developed more quickly. Tax incentives for this development, such as tax credit bond authority, production tax credits, research and development tax credits, and a continuation and expansion of the federal Advanced Energy Manufacturing Tax Credit can all help companies invest in clean energy technologies. In addition, more direct help can and should be given to encourage these companies to enter this market. Senator Sherrod Brown has proposed a \$30 billion revolving loan fund to help small employers retrofit their facilities, a policy that will greatly help advance clean energy manufacturing when it is passed, either on its own or as part of a comprehensive energy bill.

Still, even if companies have the necessary access to capital, the biggest driver of clean energy development will be the existence of large and stable demand for clean energy. Absent a strong and stable market for clean energy, no company will move into the clean energy sector, regardless of how many incentives are put in place to encourage it.

A variety of policies can have the effect of creating a stable long-term market for clean energy products. For example, the previously mentioned Advanced Energy Manufacturing Tax Credit could be expanded and extended, as can the production tax credit. Traditional sources of energy such as oil, coal, and natural gas have long benefited from long-term policies that ensure market stability, whereas clean energy technology has only received similar benefits intermittently. With annual reauthorizations required, the pace of development has been slowed due to the potential that funding and tax incentives may be cut at any time.

Beyond these, however, the single initiative that has the most potential for creating a stable, long-term market would be the passage of a Renewable Electricity Standard, or RES. In recent years, 28 states have adopted state-level RESs, including Ohio. The Ohio RES increases the percentage of state electricity that must be derived from renewable sources up to 12.5 percent by 2025.

While these state RESs are positive developments and are helping to drive the market for clean energy technology – and more states should adopt them – what is sorely needed is an ambitious national RES. Many state RESs are set too low to really drive clean energy development. Moreover, the wide variance in target levels has produced a market that is inconsistent from state to state. A strong national RES that mandates that 25 percent of all electricity be derived from renewable sources by 2025 will allow for economies of scale to be built and broad national supply chains to be established.

An RES can and will catalyze the development and increased manufacturing of clean energy technology components products, but the question is where will those components be made? America has seen so much of its manufacturing sector lost to China that it must remain vigilant as it develops these new industries. In particular, vigorous enforcement of trade law is crucial if the American clean energy manufacturing sector is to grow and thrive.

As we know, China is making huge institutional investments in clean energy manufacturing, and if the pattern we have seen over the last several years holds, they will attempt to corner that market by flooding world markets with cheaply-made, subsidized products. That outcome simply cannot be allowed. Strong enforcement of anti-dumping and countervailing duty laws, increased pressure on China to abandon its currency manipulation policies, and protection of American intellectual property rights will help American companies compete on a level playing field.

Industrial theft and espionage by China is said to be increasing and poses as great a risk as dumping, subsidies, and currency manipulation. The potential for this theft may deter US companies from engaging in the research and development necessary to develop clean energy products. This applies not only to the traditionally thought-of clean energy sectors, but to all sectors where increased efficiency can have a significant positive impact on energy use. For example, Goodyear has been developing new tires that maintain stability while improving automobile fuel efficiency. This is a difficult balance and Goodyear has made a substantial investment in it. It would be disastrous if they made these safety and efficiency improvements only to see the design stolen and cheaply manufactured in China at a lower cost, forcing Goodyear to have to compete against a version of its own design that does not bear the cost of the R&D. It is therefore critical that the US make stopping these unfair trade practices a top priority.

The potential for the American manufacturing sector to lead the way in the development of clean energy component products is massive. We have already seen how it can happen right here in Toledo and throughout Ohio. It was not only the innovative designs of thin-film solar panels that helped Toledo become a solar industry leader; it was the existence of a ready-made manufacturing base and population of workers with applicable skills forged by years of glass

manufacturing. The same transition is happening throughout Ohio and the nation. One of our great advantages as a state and a nation is the already existing skill set of American manufacturing workers. Much of the skills required to efficiently manufacture and maintain clean energy technologies is transferrable from established precision manufacturing industries. Whether that is the solar panel industry in Toledo, or precision tool companies retrofitting to produce components for wind turbines, there is a wealth of experience and skill just waiting to be harnessed.

Still, as this transition continues, the challenge of China cannot be far from the minds of policymakers. Hopefully, the US can emulate the good about China's clean energy agenda – the massive, sustained, stable government investment in these technologies – while acting in accordance with our national ideals to avoid the bad – unfair trade practices, currency manipulation, and theft. With room to breathe and grow and a level playing field, a wide variety of clean energy industries can thrive in Ohio and the US. But this involves ensuring that these industries have access to the necessary capital to make investments, that there is a stable market for these products, and that the threat of unfair trade practices is minimized.

Again, I would like to thank the Commission for the opportunity to appear before you and discuss these issues. A great opportunity exists for American workers who will, with properly crafted policies, build the clean energy technology products that will improve our environment and rebuild the American economy.