



Dear IHEA Members:

January 4, 2010

This letter represents the first in a series of "Calls to Action" from IHEA's leadership concerning an issue of utmost importance to our members. We, the members of the Industrial Heating Equipment Association, are concerned about our nation's economy and the world's environment. We recognize the need for coordinated action to protect the environment and reduce our dependence on foreign energy sources. The U.S. Congress is poised to implement new energy legislation designed to affect positive environmental change. However, it is our position that these changes cannot be made at the expense of the U.S. economy and our membership. American industry, and IHEA members specifically, create and sustain the kinds of high-paying, long-term jobs our economy and our families so desperately need. These jobs will rely on the degree to which the proposed energy legislation and/or regulatory changes balance their domestic economic effects with their intended environmental benefits.

We recognize that manufacturing has a role to play in reducing its impact on the environment and improving its energy efficiency. However, these issues cannot be considered in a vacuum but must also be weighed against their effect on domestic productivity. The American manufacturing community already adheres to some of the world's most stringent environmental standards, thereby making it one of the cleanest. It is our judgment that if pending legislation is passed as currently written, American jobs will be lost, and, ultimately, worldwide carbon emissions will increase as manufacturing migrates to areas of the world whose environmental standards are not as high as our own.

IHEA is hereby announcing a campaign to ensure that Congress recognizes the following as issues of great importance to our membership and considers the unintended consequences of the proposed energy legislation.

We must not allow Congress to merely focus on reducing energy consumption without also recognizing the issues of *productivity and productivity improvement*. If the legislation seeks to bring about positive environmental change by simply reducing regional or national energy consumption, it has the potential to prevent energy productivity improvements that are essential for U.S. manufacturers to remain competitive. Energy productivity is best described through the term "energy intensity" – the amount of energy used per widget produced. New energy-efficient technologies have the ability to improve the productivity of a manufacturing process, thereby using less energy per widget, or reducing the energy intensity. A successful implementation of the new process could very well result in increased production, leading to an increase in the total energy usage of the facility. **Herein lies the problem.** When the environmental focus is solely on reduction of energy usage, a manufacturer may be prevented from employing a technology that

increases production if it increases his total energy footprint. The unintended consequences are the lost opportunities for increased economic activity and the jobs necessary to support that activity.

The same argument holds true for plans calling for the establishment of “baseline” measures of energy usage, which must be reduced over time. These baselines would hinder productivity expansion if such expansion resulted in increased energy consumption. Inhibiting production expansion also results in inhibiting employment expansion. Manufacturers would be forced to utilize overseas production facilities and labor resources in order to expand. Surely the U.S. Congress cannot consider this to be sound economic policy.

We urge the incorporation of the concept of the reduction of “Energy Intensity (EI)” versus simple blanket reductions in total energy usage in the proposed energy legislation. The manufacturing community should be credited with energy reduction through reductions in energy intensity, not penalized through the examination of a total energy-use footprint. This will allow for the growth of American business and thereby employment growth. Furthermore, the House bill contains language that defines EI as the cost of energy divided by the value of shipments. This formula appears to ignore the fact that EI will rise simply through increases in energy pricing alone – something that is inevitable and outside the control of American business. The definition is an invalid use of the EI concept and must be changed.

As you contact your Senators, please tell them that the current legislation needs to provide for economic growth and not hinder it. Encourage them to recognize that improvements in productivity are the hallmark of the American business community and are essential for the health of our economy. Ensure that the U.S. Congress sees that this legislation intelligently considers the impact of future energy price increases on manufacturing in a way that promotes the long-term sustainability of the manufacturing community.

Attached to this email, you will find a sample letter for you to put on your company letterhead and mail to your senators and email to their legislative assistants responsible for Energy & Environmental issues (see the excel spreadsheet for senators and their legislative assistants email addresses). You will also find a document that contains the Energy bill discussion points. We urge you to utilize this information and contact your senators and their legislative assistants as quickly as possible on these issues important to every IHEA member.

Thank you.

IHEA Government Relations Committee