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Andrew G. Sharkey, III
President and Chief Executive Officer

January 7, 2003

The Honorable Spencer Abraham
Secretary of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Subject: US Steel Industry's Global Climate Change Business Challenge Program

Dear Mr. Secretary:

The American Iron and Steel Institute (AISI) is a North American trade association with 33 steel producing members. Our U.S. members represent approximately 70% of the nation's steel producing sector.

AISI and its member companies applaud President Bush's leadership in issuing a comprehensive climate change initiative designed to reduce the nation's greenhouse gas intensity by 18% in the next ten years. In particular, AISI supports the wisdom of a voluntary Business Challenge program to reduce emissions intensity, and our members will do our part to achieve the President's goal.

The American steel industry has long been a leader in reducing energy intensity in the steel manufacturing process and correspondingly reducing greenhouse gas emissions. Since 1975 the steel industry has invested over \$50 billion in new technology to improve energy efficiency and productivity. Over that time span our energy consumption per ton of steel shipped has been reduced by about 45%, and greenhouse gas emissions have been reduced by a comparable percentage.

In December 2001, AISI, in cooperation with the Department of Energy, published the "Steel Industry Technology Roadmap." Using 1998 as its baseline, the Roadmap estimates the energy required to produce a ton of steel, establishes energy intensity goals for 2010 and 2020, and identifies the research and development needed to achieve those goals. We propose to use the Roadmap goals as a basis for addressing the President's Business Challenge. The Roadmap goals, however, are expressed in terms of technical feasibility and are qualified by the fact that the cost of acquiring and implementing any new technology must be economically justifiable for it to achieve widespread adoption in the industry. With this in mind, we propose to commit to a Business Challenge goal of achieving by 2012, a 10% increase in sector-wide average energy efficiency using the 1998 Roadmap baseline of 18.1 MMBTU/ton of steel produced. This aggressive sector-wide goal will be accomplished by a combination of industry restructuring, technological

changes, increased recycling, continued use of the Technology Roadmap objectives, and other process improvements.

We also note that the application of new, advanced steel products will yield even greater energy benefits. For example our Ultra-Light Steel Auto Body - Advanced Vehicle Concept (ULSAB-AVC) five-passenger automobile design can achieve greater than 50 miles-per-gallon without compromising cost or safety. This and other initiatives related to steel products and applications offer additional, significant contributions to the President's overall national goal of reduced emissions intensity.

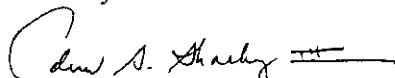
In addition to committing to this initial energy efficiency goal, AISI members commit to the following actions as their contribution to the Business Challenge program:

1. Develop a standard steel industry sector-wide greenhouse gas emissions reporting protocol by June 30, 2003. Promote and encourage participation by all U.S. steelmaking facilities. Goals will be periodically reported based on this protocol.
2. Compile and report greenhouse gas emissions trends in terms of energy efficiency (emissions per unit of production) and intensity (emissions per unit of economic activity) on an annual basis, beginning with the 2002 calendar year and consistent with procedures set forth in the DOE 1605(b) program.
3. Establish an organizational mechanism within the sector to facilitate communication of steel-related climate change technologies and developments among steel-related trade associations, suppliers, customers, and other interested stakeholder groups.
4. By December 31, 2003, establish a sector-wide target for reducing energy consumption per ton of steel and/or greenhouse gas emission intensity for 2012 tied to a 2002 database. Consider revising the Steel Industry Technology Roadmap as necessary to incorporate this goal.

Research and development is fundamental to technological advancement. The steel industry through AISI hopes to establish with DOE a new jointly funded research program focused on projects that will result in reduced greenhouse gas emissions.

Mr. Secretary, AISI has a long and rewarding history of cooperation with the Department of Energy, and we look forward to continued collaborative efforts toward fulfillment of Goals to respond to President Bush's Business Challenge program in a significant and meaningful way.

Sincerely,



Andrew G. Sharkey, III

Cc: Jim Connaughton, Chairman, Council on Environmental Quality