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December __, 2002

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue SW
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 35 steel producing members. Our U.S. members represent approximately 70% of the nation's steel production.

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 in a cost effective manner.

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 approximately \$[100] 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. For this reason, our commitment should be viewed in light of these past accomplishments and the fact that future energy savings and reductions will be more costly and difficult to achieve.

In December 2001, AISI, in cooperation with the Department of Energy, published the "Steel Industry Technology Roadmap." The Roadmap identifies the needed research and development to achieve energy efficiency goals for 2010 and 2020 compared to a 1998 baseline. We wish to use the Roadmap goals as a basis for meeting the President's Business Challenge. However, the Roadmap goals 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 feel confident that we can meet a Business

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→ ambitions to exceed the goal ←

Challenge goal corresponding to an increase in energy efficiency of 20% between 1998 and 2010. This will be accomplished by a combination of industry restructuring, process improvements, increased recycling, and improved yield performance.

We also note that the application of new, advanced steel products will yield even greater energy benefits as they are used by our customers. 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. We believe this and other initiatives related to steel products and applications would contribute to the President's overall national goal of reduced emissions intensity.

In addition to committing to an initial energy efficiency goal consistent with our Technology Roadmap, AISI commits to the following actions as its contributions to the Business Challenge program:

1. Develop a standard steel industry greenhouse gas emissions reporting protocol by June 30, 2003. Promote and encourage participation by all U.S. steelmaking facilities of AISI member companies. *ensure 100% commitment*
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. Continue to work collaboratively with DOE through the Technology Roadmap Research Program to support, solicit, and co-sponsor research and development projects designed to improve productivity, improve energy efficiency, conserve natural resources, improve environmental performance, and reduce greenhouse gas emissions.
4. Establish an organizational structure within the industry to facilitate communication of steel-related climate change information and developments among steel-related trade associations, suppliers, customers, and other interested stakeholder groups.
5. Continue to support and promote Steel Recycling Institute initiatives and activities by striving to meet Roadmap recycling goals, including 90% capture of iron units in obsolete scrap and 100% recycling, recovery, and/or reuse of solid steel plant wastes by 2010, all consistent with the conditions of economic feasibility noted in the Roadmap.

6. Perform leading-edge R&D in cross cutting technologies, primarily relating to advanced materials, that will save energy through the use of steel products and applications, including improved fuel economy for motor vehicles.
7. By December 31, 2003, establish an industry target for reducing energy consumption per ton of steel and greenhouse gas emission intensity for 2012 tied to a 2002 database. Revise the Steel Industry Technology Roadmap as necessary to incorporate this goal. ✓

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 steel industry goals to respond to President Bush's Business Challenge program in a significant and meaningful way.

Sincerely,

Andrew G. Sharkey III
President and CEO