

Coalition of Energy Equipment Manufacturers

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The Honorable Wilbur Ross

Secretary

U.S. Department of Commerce

1401 Constitution Avenue, NW

Washington, D.C. 20230

Dear Secretary Ross:

A healthy American steel industry is vital to not only the economic well-being of our nation, but also to its national security. In recent years, America's demand for steel has grown greater, while its production capacity has dwindled. Thus, we have been left with no other alternative than to rely on foreign nations to meet America's need for steel. In 2016, the U.S. imported 35.3 million metric tons of steel mill products, making it the top importer of steel mill products in the world.ⁱ

The Coalition of Energy Equipment Manufacturers (CEEM) create the equipment necessary to produce, store and transport oil and gas, which provides affordable and reliable energy to our nation's steel and other manufacturing sector.

Put simply, CEEM members are dependent upon the steel industry and the steel industry is dependent upon the energy that is produced utilizing the equipment that CEEM members fabricate. This relationship between energy and steel is vital to the health of the American economy.

In addition to the challenges the steel industry faces from unfair competition, CEEM members also suffer from similar unfair trade practices.

Increasingly, foreign competitors deliver fabricated oilfield and other energy equipment to the United States at prices lower than the cost of materials for domestic energy equipment manufacturers. We see this as simply another form of "dumping," that has resulted in lost jobs and economic development. Further, the attrition of skilled domestic labor necessary to manufacture this equipment creates the potential for a scenario in which the industry would find it difficult to quickly increase production in the event of an embargo or other tactic by a potentially hostile foreign government due to a shortage of skilled labor.

This is critical because, unlike electronics and other consumer products that are manufactured overseas, the equipment our members fabricate is absolutely critical to our nation's energy security. Put simply, without it, energy cannot be produced, stored or transported to market. Therefore, our increased reliance on a supply source that can be interrupted at any time for political, or other reasons, puts our nation at risk.

Relying on foreign nations to manufacture the energy equipment that undergirds our domestic energy industry and effectively becoming beholden to foreign nations for some of our most basic national security needs makes America vulnerable to everything from embargos, foreign engagements, and even the general economic instability of foreign nations.

Solution

We believe it is critical that the Commerce Department and Congress level the commercial playing field as it relates to critical manufacturing such as this.

Further, we believe that tax incentives to encourage the purchase of domestically produced energy equipment should be made a priority of this administration and Congress. Tax incentives have proven over the past several decades to move markets here and abroad, and in fact the incentives and subsidies provided by other nations is the root of the challenge we face.

The effectiveness of tax incentives is clearly shown in the rapid expansion of the wind and solar industries, which have provided a dramatic boost in development since their enactment. Conversely, the removal of incentives has proven to hinder such development.

For instance, the termination of the Investment Tax Credit in 1986 has had a negative impact on U.S. manufacturing. Since 1986, manufacturing jobs have been on the decline. While the removal of this incentive cannot be blamed entirely for this decline, its termination certainly played a role.

We believe countries that directly subsidize both their steel production and fabrication industries for the purpose of undercutting the competitiveness of other countries in the World Trade Organization are in violation of free trade. It is therefore imperative that the Administration and Congress act to encourage the energy equipment manufacturing sector as failing to do so threatens jobs, our economy and our national security.

Thank you for the opportunity to comment on this important matter. We would greatly appreciate the opportunity to discuss this with you, or other appropriate Commerce Department officials at a future date.

Sincerely,

Tommy Foltz

Executive Director

¹ "Global Steel Trade Monitor". *International Trade Administration*. July 2016 <http://www.trade.gov/steel/pdfs/07192016global-monitor-report.pdf>