

Jay Timmons' Remarks to the Kentucky Association of Manufacturers' 2014 Energy Conference

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As Prepared for Delivery

Thank you for the invitation to join you today and giving me the opportunity to talk about a critical issue for manufacturers and our country. And thank you, Jill, for that kind introduction. I'm proud to say that Gray Construction is an active member of the National Association of Manufacturers.

So, too, is Exxon, and I was struck and fascinated by Dr. Fu's insights. You might remember that it wasn't that long ago that the consensus was the United States was running out of domestic supplies of energy.

Fears of shortages fueled our energy policy, which, more often than not, was misguided and a drag on our economy.

As is often the case, policymakers failed to account for human ingenuity and our ability to innovate and access resources once thought beyond our reach. And so today, the conversation has changed, and the United States is on its way to assuming a position that was unthinkable just 10 years ago. We have an opportunity to increase our energy security and even become a net energy exporter while continuing to run up our cost advantage when it comes to energy.

Manufacturers don't have chances like this very often. On account of affordable and abundant energy, manufacturing is making a run for the roses, but we are only at the half mile.

I commend the Kentucky Association of Manufacturers for making strong energy policies a priority. Greg Higdon and his team at the KAM are tremendous advocates for manufacturers in this state and are key partners of the NAM.

At the NAM, we represent manufacturers of all sizes and sectors, from the world's largest multinationals to family businesses up and down Main Streets all across America. We also count among our members groups like the KAM, which help amplify our pro-growth messages about jobs and competitiveness.

Manufacturers need all the voices we can muster. We continue to face an uphill battle convincing policymakers to take action. They may talk a lot about a strong manufacturing sector, but so far, that's all they have offered: rhetoric.

Manufacturers were hit hard during the recession, but we are bouncing back, even after a slow period at the end of 2012 through the beginning of last year. We're consistently creating jobs again, and today, manufacturing employs more than 12 million men and women. Manufacturing contributes more than \$2 trillion to our country's economy. Did you know that our sector alone is larger than the economies of all but seven countries?

The manufacturing comeback in the works is largely the result of the energy revolution. It's spurring investments by manufacturers. The American Chemistry Council reports that \$100 billion of new U.S. investments are planned in the chemical sector. Industries that were once all but lost in the United States are coming back.

These investments will create jobs—millions of them. A study conducted by the global research firm IHS projects that the development of shale oil and gas will boost employment by almost 4 million jobs by 2025. In short, the energy revolution is a catalyst for a manufacturing renaissance.

It's not just energy development. Manufacturers also have a lot to gain from the adoption of energy-efficient technologies. We use these technologies to get more out of the energy we consume allowing us to reduce energy costs. We also build them—like GE is doing over in Louisville.

And here in Kentucky, I don't need to tell you about coal. We have 194 years' worth of it in the United States. It provides thousands of high-wage jobs. The world needs it and is going to continue to use it for many decades to come.

I don't need to tell you: Our own government will. The Energy Information Administration says that the world is going to be using 48 percent more coal by 2040. And the United States has the resources to be one of the world's biggest suppliers.

So there's a lot worth celebrating, but it's too soon to declare victory.

I remember when just decades ago, people were writing manufacturing off in the United States. They were, of course, wrong. Now, in 2014, the so-called experts have reversed course and are heralding a manufacturing resurgence.

The comeback, however, isn't even close to complete, and that's why manufacturers must continue to fight for our policy priorities in Washington.

In other words, we can't let optimism blind us to very real competitive disadvantages manufacturers continue to face in the United States. And we can't let it blind us to the risk that the wrong policy choices could bring energy revolution to a halt. We can't let Washington mess this up.

Unfortunately, that's a real possibility, considering the current state of the energy policy of the United States. Energy policy is among the most politicized issues in Washington, and with the political dynamic in Washington, that's saying a lot. Just look at the Keystone XL pipeline.

President Obama has every reason to give the project the go-ahead. It will create jobs. It will add to our energy security. The State Department has conducted too many reviews to count and concluded it will have a minimal environmental impact.

The fact is, 180,000 miles of pipeline span the country. The northern segment of the Keystone XL pipeline is a mere 1,500 miles; yet, it has become a symbol for environmental extremists—and they have the Obama Administration’s ear on this issue.

That’s just one challenge. Manufacturers face a difficult path ahead since I expect many policymakers to continue to put political agendas ahead of what’s best for our economy—and their constituents.

When it comes to energy policy, our focus should be on developing and maintaining secure and affordable energy.

It’s no secret that the current Administration is happy to have the Environmental Protection Agency set the nation’s energy policy. And, if it continues down this path, it will set the nation’s economic policy.

That’s the upshot of forthcoming ozone regulations.

In the next few months, the Administration will roll out its revision of ozone standards. It sought to tighten the standards in 2010—four years ahead of schedule—only to ultimately relent after pressure from groups like the NAM. But now they are back. This year, the EPA will issue new standards, and if it reprises its 2010 proposal, manufacturers across the country will pay the price.

Today, all of Kentucky falls within current ozone limits. If the Administration tightens the levels to what it contemplated four years ago, the entire state would bust the EPA’s limits. In fact, that will be the story for most of the country.

So, what happens then? I can tell you that it’s not a slap on the wrist. Nonattainment, as it’s called, means economic paralysis. It would be nearly impossible to get a permit to expand operations if a state is in nonattainment.

Manufacturing would come to a standstill; our domestic energy boom would go bust; existing plants would be required to install additional expensive equipment; and the cost of nearly every manufactured good in this country would increase.

Kentucky would become a “no-growth zone.” I don’t think anyone in this room wants that.

The assault of the economy doesn’t stop there.

Other EPA policies would have similar effects on manufacturing and the economy by raising the cost of energy to prohibitive levels.

To ensure affordable and secure energy supplies, we can’t take any one source off the table. Yet, that is what the EPA is doing with coal.

Soon the EPA will fire its next shot in its effort to ban coal when it rolls out its emission limits for existing power plants.

The agency has already foreclosed the use of coal by new power plants in its so-called New Source Performance Standards issued earlier this year. The upcoming rules will likely wean the United States of any coal power, denying us an energy source that provides nearly 40 percent of our electricity today.

An “all-of-the-above” energy strategy is key for manufacturing competitiveness. Manufacturers, after all, consume one-third of the energy used in the United States, so we rely on secure and affordable energy sources—an objective that is advanced by the widest variety of source options possible.

While manufacturers are currently enjoying the benefits of relatively cost-effective energy, there’s no guarantee that the boom will last. States could overregulate; so could the federal government. Moreover, energy markets are global in nature and affected by technological advancements, consumer behavior, political unrest and government policies. The energy world five years ago looked a lot different than it does today, and five years from now, the world will be different as well. Can the United States really afford to unilaterally disarm itself when it comes to the use of such a vital, reliable source of energy supply?

Kentucky surely can’t afford it, both as one of the country’s major coal producers and as a state that generates 88 percent of your electricity from coal.

Think of the ripple effects. Manufacturing represents almost one-fifth of Kentucky’s economy. It employs more than 228,000 people. If we eliminated an energy source that provides almost 90 percent of manufacturers’ energy, the sector would be devastated. Any gains manufacturers have made would be wiped out.

The Administration’s misguided energy policies have set us down a dangerous path. After it finishes with power plants, it will move on to other industries. Eventually, it will regulate the entire economy—an outcome the authors of the Clean Air Act clearly never intended.

Meanwhile, China, the world’s biggest emitter, has been adding the equivalent of the entire U.S. coal- and natural gas-generating fleet to its annual emissions about every five years.

Let me underscore that: The United States could shut down our entire fossil fleet—shut it down—and those emissions would be replaced by China’s growth in five short years.

Those are just some of the risks manufacturers face in the months ahead. If the Administration has its way and continues down the course set by this rule, manufacturers will face a permanent competitive disadvantage with other countries, and we will never realize our potential.

I, however, remain optimistic. You might wonder why after painting such a bleak picture.

Manufacturers certainly face challenges, but that's nothing new. No one ever said manufacturing would be easy. Throughout our history, even when Washington seemed lined up against us, manufacturers found ways to succeed.

We can start by not letting policies that would hurt manufacturers go unchallenged, and that means fighting back. I know that manufacturers would rather be on their shop floors than on their courthouse steps, but sometimes, we don't have a choice.

Last fall, the NAM launched its Manufacturers' Center for Legal Action to strengthen our advocacy toolbox and give us a breadth of legal coverage that, quite frankly, we've never had before.

We've already had some great wins, dealing a blow to the National Labor Relations Board's attempt to tilt the balance against employers and needlessly introduce conflict into the workplace.

We're involved in a number of cases on the environmental front and are awaiting a decision from the Supreme Court in our challenge to the EPA's first suite of greenhouse gas rules. We'll likely be forced to challenge the pending rules as well. We're putting the agencies on notice that when they overstep, we are paying attention, and we *will* push back.

The courts aren't the only answer. We can also use the political process to push back against policies, and that starts with putting the right men and women in office.

At the NAM, we launched the Partnership for a Better Energy Future campaign to stir up the grassroots and put pressure on lawmakers. We need to let our elected representatives know we are paying attention, and we will hold them accountable.

Don't wait until November to get involved. Don't wait until you enter the voting booth.

As business leaders, we need to inject ourselves in key races—more so than ever before. We need to play a role not just in sending someone to Washington, but also in choosing the candidates who will ask for our votes in November. That means actively participating in the primaries in just a few days regardless of whom you support—and encouraging your employees to do the same. Fortunately, we are seeing likeminded groups getting involved in primaries. We certainly are at the NAM.

You have a choice to make on Tuesday. Senator McConnell is a stalwart supporter of manufacturing. His 94 percent lifetime voting record with the NAM attests to that. Manufacturers can count on him to do the right thing, and we appreciate his leadership, and we need more like him in Washington.

At the end of the day, we need the best people governing our country, people with a pro-growth policy agenda. Not just politicians who say they support pro-growth policies, but the leaders who actually will and have done so.

I appreciate having the chance to speak with you today. Thank you again for inviting me to join you, and I'm happy to take any questions.