



The Manufacturing Council

WASHINGTON, D.C. 20230

May 9, 2007

The Honorable Carlos M. Gutierrez
Secretary of Commerce
Washington, D.C. 20230

Dear Mr. Secretary,

On behalf of The Manufacturing Council, enclosed is the recommendation we approved during our meeting on May 4, 2007. This letter of recommendation addresses the issues of energy costs and alternatives.

We hope these recommendations further your efforts, on behalf of the Administration, to better the conditions in which manufacturers operate in the United States. The Manufacturing Council is proud to serve you in this endeavor. If you have any questions about the recommendations, please feel free to call me or any member of the Council.

Sincerely,

Don Wainwright
Chairman



The Manufacturing Council

WASHINGTON, D.C. 20230

May 4, 2007

Dear Mr. Secretary:

We are writing to call your attention to the growing concern within the U.S. manufacturing sector about the availability of long-term affordable, reliable energy supplies, an issue critical to American competitiveness. The President in his State of the Union address made it clear that a top priority for our country is to diversify our energy resources, stating, "It's in our vital interest to diversify America's energy supply -- the way forward is through technology. We must continue changing the way America generates electric power, by even greater use of clean coal technology, solar and wind energy, and clean, safe nuclear power." This has the dual purpose of providing price stability and reducing our dependence on foreign sources of energy. He said "this dependence leaves us more vulnerable to hostile regimes, and to terrorists -- who could cause huge disruptions of oil shipments, and raise the price of oil, and do great harm to our economy."

Manufacturers are the largest single consumer of energy, and as your advisory committee on manufacturing, we have concluded that this is the most important and most actionable item facing the manufacturing sector. We have formed a task force to examine ways to address this issue, and come up with several policy recommendations that will provide both long-term reliable energy supplies and new commercial opportunities for manufacturers.

Although the U.S. manufacturing sector has made great progress in increasing energy efficiency over the past few decades, our manufacturing competitiveness is very sensitive to energy prices, especially the price of natural gas, which for many reasons is higher in the U.S. than in other parts of the world. Already, thousands of jobs in more energy-intensive industries are moving overseas to countries with lower natural gas prices. We think that any solution must address three important areas: (1) increasing domestic energy supplies, (2) helping manufacturers reduce their energy use, and (3) researching and deploying alternative technologies.

- **Additional Domestic Energy Supplies.** Opening new areas in the U.S. to energy exploration and production, along with construction of new LNG terminals would increase the supply of natural gas and provide some price relief for manufacturers that are dependent on natural gas for use in their processes. At the same time, support for the construction of advance coal and nuclear power plants will increase overall energy sources available to manufacturers and must be pursued.
- **Help Manufacturers Reduce and Conserve Energy.** Many manufacturers have already benefited from working with programs run by the Department of Energy and Department of Commerce to optimize their energy use, and continued support will allow more manufacturers to use them. Manufacturers would also benefit from the creation of policies and programs that would reduce the cost of new energy-saving equipment, such as tax incentives and low-cost loans.
- **Alternative Energy Sources and Technologies.** A permanent Production Tax Credit for alternative energy sources would provide incentives for the deployment of clean and efficient energy sources. DOE and industry-sponsored research on commercializing wind, solar, and biomass technologies may make it possible for the U.S. to become a center of manufacturing excellence for the associated equipment.

The Manufacturing Council has reviewed the draft Department of Commerce *Base Study: Energy Use by U.S. Industry* report, which elaborates on the energy issues facing manufacturers. The Council applauds this effort by the Department to define energy's role in industry and supports its recommended policies and next steps to promote industry competitiveness. In particular, we are supportive of the report's call to create programs to help manufacturers improve energy efficiency through rebates and tax incentives, while providing market incentives for clean, renewable fuels in every sector, particularly electric power. We recommend you advocate for such actions without delay.

Mr. Secretary, we thank you for this opportunity to present our ideas for addressing the challenge of increased energy costs for the manufacturing sector. In the coming months, our goal is to explore more in-depth the viability and methodology of the three areas listed above, reviewing what has been accomplished and analyzing what future steps can be taken and their effects. We look forward to sharing our findings and recommendations with you.

Sincerely,

Don Wainwright,
Chairman

Mr. Don Wainwright
Chairman and Chief Executive Officer
Wainwright Industries
17 Cermak Boulevard
St. Peter's, MO 63376

Dear Chairman Wainwright:

Thank you for The Manufacturing Council's letter of recommendation on energy costs and alternatives. I am grateful for the Council's work on this issue, which is of great importance to the President, as well as the U.S. manufacturing sector. In particular, as noted during the Council's conference call meeting, I appreciate the Council's consideration of both short-term and long-term solutions. I am also looking forward to receiving the Council's planned white paper study on energy costs and alternatives this fall.

The leadership you and the Council continue to provide within the manufacturing community is greatly appreciated. Thank you, again, for your service and for the Council's letter of recommendation.

Sincerely,

Carlos M. Gutierrez