

TESTIMONY of ALAIN BELDA, CHAIRMAN of ALCOA INC.
BEFORE
UNITED STATES HOUSE OF REPRESENTATIVES
ENERGY & COMMERCE COMMITTEE
JAN. 15, 2009

Mr. Chairman and Members of the Committee:

Thank you for your invitation to testify today as a member of the United States Climate Action Partnership, or USCAP.

My name is Alain Belda and I am Chairman of Alcoa Inc.

I am here today to express Alcoa's support for comprehensive climate change legislation this year. We believe climate change is a critical global issue which requires leadership and immediate action from every sector of society.

Alcoa is one of the world's largest producers of aluminum and alumina. We are active in all segments of the industry - from mining, refining and smelting to rolling and extrusions, with over 90, 000 employees in 34 countries.

The majority of our manufacturing base is here in the United States and two thirds of our smelting capacity.

Aluminium is a globally and heavily traded energy- intensive commodity for which the global price is benchmarked according to the London Metal Exchange.

The energy intensive nature of primary aluminium smelting has meant that the location of aluminium production has been driven by energy costs. This has also meant that the industry has been a leader in energy efficiency.

We also believe that aluminium is part of the solution to climate change because of its properties of light-weighting and because of its infinite recycling potential.

Since 1990, Alcoa reduced our direct greenhouse gas emissions by 33 percent.

And that's despite a significant increase in production over that same period.

I am here to testify today about how an economy-wide cap-and-trade program as part of a comprehensive U.S. climate program can be constructed so as to minimize the impact on the economic competitiveness of US business as we make the transition to a lower carbon economy. Never has there been such a critical time for us to be focusing on this issue as many businesses, our workforce and our communities confront the difficult challenges created by the current economic downturn.

During the evolution toward a comprehensive global emissions trading regime, transitional arrangements for energy intensive trade exposed sectors will be necessary to protect their competitiveness and to protect the employment and contribution to the US economy they represent.

We think the best way of doing this is through the allocation process as well as through

1. cost containment measures such as offsets and banking
2. technology program
3. international linking and
4. movement to a global system

In addition, any program must recognize the efforts of companies, such as ours, to reduce their emissions voluntarily, through specific credit for early action provisions.

Recent debate surrounding the crafting of an economic stimulus package early in the 111th Congress has included discussion of energy investment. We agree that such efforts can and should be taken as early as possible. Additionally, a central tenet of our Call for Action is that in order to effect the change needed throughout the economy, an economy-wide cap-and-trade system is essential. When combined with complementary measures, the resulting new vision and policy direction will spur the innovation through which America has always excelled. When given the proper tools, incentives and market signals, the American entrepreneurial spirit will lead to sustainability solutions required to meet our many economic, energy, environmental and national security challenges.

USCAP has attempted to help inform congressional deliberations over the past two years. Following our Call for Action, we have provided Congress with international principles and more detailed information on the topics of cost containment, energy efficiency, geologic carbon storage technologies and a greenhouse gas registry. Further, our diverse and broad-based coalition has and will continue to serve as a sounding board for policy-makers as they contemplate legislative options.

Over the past six months, USCAP members have worked diligently to refine our policy objectives in order to better advise Congress and the incoming Administration on workable solutions. We have agreed upon a framework for a balanced and integrated approach to key linked issues that must be addressed in any national climate legislation.

USCAP is committed to helping Congress find workable, cost-effective approaches to climate change. We believe that path forward exists and that we must embark on the journey with deliberate speed. Representing many sectors of the economy, we believe we are in the unique position to work with the President-elect, Congress and all other stakeholders to enact an environmentally effective, economically sustainable and fair climate change program. We look forward to working with the Committee in the 111th Congress to ensure prompt enactment of national climate protection legislation.

