

**TESTIMONY OF KEVIN ANTON
PRESIDENT, ALCOA MATERIALS MANAGEMENT
BEFORE**

**THE SUBCOMMITTEE ON PRIVATE SECTOR AND CONSUMER
SOLUTION FOR GLOBAL WARMING AND WILDLIFE PROTECTION**

ENVIRONMENT AND PUBLIC WORKS COMMITTEE

UNITED STATES SENATE

OCTOBER 24, 2007

Mr. Chairman and members of the Subcommittee, thank you for this opportunity to testify regarding the America's Climate Security Act of 2007. My name is Kevin Anton, and I am President of Materials Management for Alcoa, Inc.

I am here today to express Alcoa's support of S. 2191, America's Climate Security Act of 2007, and of the intention by the subcommittee and the full committee to move a climate bill to the Senate this year.

First, a few words about Alcoa.

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. We began in North America, but can now be found in 44 countries with 116,000 employees.

We operate 25 smelters on 5 continents and 9 refineries on 4 continents. Last year we produced 3.6 million metric tons of aluminum and 15.1 million metric tons of alumina with revenue from all operations of \$30.6 billion in 2006.

In addition, Alcoa is a founding member of the U.S. Climate Action Partnership, a coalition of business and leading environmental NGOs that is calling on the federal government to quickly enact strong national legislation to require significant reductions of greenhouse gas emissions.

Alcoa accepts the view of the great majority of scientists that enough is known about the science and environmental impacts of climate change for us to take action now. Moreover, much of this action must occur in the United States, which is the world's largest greenhouse gas emitter, producing 24% of such emissions. The United States needs a singular mandatory but flexible climate change program that reduces emissions from large stationary sources, transportation, and energy use in commercial and residential buildings, and puts us in a realistic position to ask that all the major emitting nations of the world contribute their fair share as well.

We support S. 2191 because we believe an economy-wide cap-and-trade program has to be at the core of a comprehensive U.S. climate program, and because the Act meets our most important criteria in establishing such a program.

A cap-and-trade approach will guarantee that emissions reductions targets are met while simultaneously generating a price signal that stimulates investment and innovation in the technologies necessary to achieve our environmental goal. Unlike traditional command-and-control regulations, under a cap-and-trade program, government sets the environmental goal and industry decides how best to achieve it - - which is the right division of labor. And unlike a tax, a cap-and-trade program lets the market, not the government, set the price.

The Act also covers the six predominant human-generated greenhouse gases, rather than focusing solely on carbon dioxide. While most U.S. emissions are in the form of carbon dioxide from the combustion of fossil fuels, the non-CO₂ gases are more potent in their global warming potential than CO₂ and there are cost effective – and in some case cost saving – opportunities to reduce their emissions.

S. 2191 establishes an ambitious schedule of reductions. It is essential to be ambitious here, because science tells us we have limited time to head off the worst impacts of climate change. We do not have the luxury of time. However, it is also important, that the reduction schedule be achievable, since a growing economy will provide the basis for the technological innovation we will need to solve this problem efficiently..

Any program must recognize the efforts of companies, such as ours, to reduce their emissions voluntarily. Presidents George H. W. Bush, Bill Clinton and George W. Bush all asked industry to voluntarily reduce greenhouse gas emissions. Alcoa and many others stepped forward to answer those calls, a measure of leadership that should certainly not be penalized now as we make emissions reduction mandatory. While we are pleased S.2191 does recognize these reductions, we hope the credit for early action provisions can be strengthened during the legislative process.

The allocation of emission allowances must be done in such a way as to ease the transition from an economy in which greenhouse gases can be emitted for free to one in which there is a price signal on such emissions. This is particularly true for industrials who will not be able to simply pass these costs through to their customers. Using the allocation process this way must cushion the impact on industry without weakening the environmental benefit of the program.

S. 2191 also complements the private sector investment and innovation that will occur as a natural result of the cap-and-trade program with federal support for the development and deployment of key climate- friendly technologies. This combination of market

“push” from the federal technology programs, and market “pull” from the cap-and-trade program will be the best formula for getting technologies into use.

The combination of features I have named so far will make the program cost effective and friendly to the innovation of new technologies we are going to need to tackle this problem. I believe we will all be surprised by the sources and rate of innovation this program will unleash. If, however, the program ends up costing more than expected, there is the establishment of an independent Carbon Market Efficiency Board to help avoid excessive costs.

Any cost- containment mechanism must retain the environmental integrity of the cap-and-trade program. The amount of greenhouse gasses we emit each year is not as important as the total we emit over a number of years. S.2191 acknowledges this fact by allowing the Carbon Market Efficiency Board, in the event of excessive costs, to allow more emissions in the current year, so long as this is paid back in the form of extra emission reductions a few years in the future. This creates a method of dealing with unforeseen economic problems, without destroying our ability to achieve our environmental goal.

Finally, with all these great attributes, are there things we believe would improve in this legislation? There are improvements we would suggest that would put the United States in a stronger position in the international climate negotiations, and we look forward to offering them for your consideration as the Act moves through the process. But the America’s Climate Security Act of 2007 is a strong enough start, and climate change presents a grave enough threat, that we can not afford to let the perfect be the enemy of the good. Let us move this bill forward, fix the problems as best as we can, and finally take our first genuine step to address climate change.

Thank you and I look forward to your questions.