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Policy Matters Ohio Identifies Aid for Ohio Manufacturers in Climate Legislation

A new briefing paper released today by Policy Matters Ohio outlines key provisions of the American Clean Energy and Security Act (ACES) that will help domestic manufacturers capture new markets and create and retain jobs. The paper also finds that the ACES legislation, sometimes referred to as the carbon cap, will also reduce the price impact for manufacturing-intensive firms, so that they can transition to an economy in which traditional energy is likely to cost more.

The paper, entitled *American Clean Energy and Security Act of 2009: A Potential Boost for Midwestern Manufacturers*, finds that there is unusual unanimity in the scientific community that global warming is accelerating dangerously. There is less unanimity in the political and business communities, where some raise concerns about how energy-intensive manufacturers will transition.

“The Ohio delegation has shaped key provisions of the American Clean Energy and Security Act of 2009 (ACES) to provide access to capital for manufacturing firms, to capture opportunities offered by new green markets, to transition to cleaner fuels and more efficient processes, and to cushion price shock for employers,” said Wendy Patton, report author and Senior Associate at Policy Matters.

The paper finds that business investments, support for retooling, price mitigation, funding for clean energy vehicles and funding for carbon capture and sequestration, will total about 60 percent of the value of the proposed cap and trade program. Ohio could be one of the largest recipients of a \$30 billion program designed to help small- and medium-sized firms retool to produce for clean energy markets and retrofit for greater energy efficiency. A competitive grant program for the states, containing funding of up to \$500 million a year during 2010 and 2011 for low-interest loans to business would be focused on automotive communities and communities with high unemployment rates.

In addition, by 2025, the ACES legislation would invest \$190 billion raised by the cap and trade in clean coal technologies, fuel efficient vehicles, energy efficiency and research and development. Some key provisions to support industry during the transition to a clean energy economy include:

- **Coal:** The ACES legislation establishes a national strategy to support Carbon Capture and Sequestration (CSS), supported through 1.75 percent of auction proceeds through 2017 and 5 percent thereafter.



- Automotive: The Vehicle Manufacturing Assistance Program provides financial assistance to auto manufacturers for retooling and purchasing domestic vehicle batteries; supported by auction proceeds of 3 percent through 2017 and 1 percent thereafter.
- Economic development: One percent of emission allowances will be used to create eight Energy Innovation Hubs comprised of non-profit research, university and venture capital consortia, to encourage and finance innovative research toward commercialization of clean energy technology.
- Energy efficiency: Provides for investments in renewable energy and energy efficiency through 9.5 percent of auction proceeds through 2015, decreasing to 1 percent in 2025, increasing to 4.5 percent through 2050.
- International trade: Companies who sell into international markets will be eligible for export rebates if the cost of emissions boosts production costs over international market prices. By the time the cap and trade program is phased in, border adjustments may be placed on products of countries that do not regulate pollution.

“It is imperative that we reduce our energy consumption and transition to cleaner sources,” said Patton. “I think Ohio’s congressional delegation has made sure that this bill does so in a way that also preserves and expands Ohio’s crucial role as a manufacturing powerhouse.”