Manufacturers Need Reliable and Cost-Effective Energy Solutions

Small and medium-sized manufacturers are among the largest consumers of energy in the country. Not only do they face rising costs directly, but when production costs increase for their suppliers and customers, these smaller businesses are the ones who pay the greatest price.

An April 2013 survey conducted by the North American Die Casting Association (NADCA) showed that manufacturers of their size in the industry spent an average of $1.23 million last year on energy for their production facilities. Respondents expect on average a 10% increase in their energy costs this year, with one manufacturer expecting a 60% increase in the price of natural gas (43% rely primarily on natural gas, while 57% on electric for their energy needs).

The U.S. Energy Information Administration (EIA) estimates electricity use will increase by 28% from 2011 to 2040. It also predicts electricity sales to the industrial sector to grow by nearly 20% over that time period. A constant target for the Environmental Protection Agency (EPA), coal remains the largest source of energy generation in the country at 42%; scheduled to drop only to 38% by 2025 while natural gas increases to 27% nationally. Regardless of their energy source, middle market manufacturers such as NADCA members can neither pass these costs onto their customers nor afford to absorb the increased price of their raw materials.

NADCA encourages policymakers in Washington and around the country to develop all of America’s vast energy resources—traditional, unconventional, and alternative. NADCA believes Washington must:

- Increase energy production by supporting policies that promote all energy sources;
- Lessen America’s dependence on foreign sources of energy by increasing domestic exploration;
- Increase the use of alternative/renewable fuels, such as wind, solar and geothermal energy, and vehicles powered by these sources;
- Implement tax incentives for energy efficiency and conservation for manufacturers.

Given federal and state budget realities, public policies must look beyond traditional government subsidies and identify new ways to encourage energy efficiency, as well as alternative and renewable energy technologies. At the same time, government policies must not artificially inflate demand or distort energy markets. We must harness all of America’s energy sources to continue to domestically manufacture innovative products, including die castings.

However, the federal government has blocked at least 351 proposed energy projects—many of them renewable—due to permitting delays and other obstacles. U.S. carbon emissions from energy production last year hit the lowest levels since 1994, according to a report from the EIA. While politicians promote programs for energy independence, regulators stand in the way of reliable and cost-effective energy solutions.

To further promote energy independence, NADCA believes:

- The EPA should not issue its new rule limiting emissions of carbon dioxide and other greenhouse gases from new power plants freezing construction (temporarily delayed);
- The EPA should withdraw its rule requiring lower levels of sulfur in gasoline which increases the price of gas by 25 cents per gallon;
- The EPA should demonstrate that it is conducting a cost/benefit analysis of proposed regulations under various Executive Orders and as required by the Clean Air Act Section 321(a);
- Congress should pass legislation such as S. 761, the Energy Savings and Industrial Competitiveness Act to increase the use of energy efficiency technologies for commercial, industrial and residential use;
- Manufacturers should have timely access to raw materials at market-based prices including aluminum housed at metals warehouses;
- Washington should not impose a carbon tax which would reduce manufacturing output by 15%.