



Annual Report 2009

A special legislative report from the Ohio Steel Industry Advisory Council February 9, 2010

ECONOMIC RECOVERY BEGINS, BUT CHALLENGES STILL AHEAD

To Our Legislators and Other Friends of Steel:

In recent months we have experienced the first signs of economic recovery, with steel production picking up slightly after a year when global market conditions were the worst in 70 years.

Still, most Ohio mills are operating at less than 50 percent. The upcoming year will be one of slow and gradual recovery.

To their credit, many Ohio steel companies responded swiftly to the downturn in late 2008, minimizing the buildup in inventory levels. Ohio steel companies are more agile and flexible than during the last downturn between 2000 and 2002, largely because of industry consolidation and revised terms with the United Steelworkers.

While cautious about the coming months, Ohio steel companies are bullish about the future. We are increasingly efficient, with the best steelmaking technology in the world. We will continue to invest in Ohio.

Steel remains a strong force in Ohio's economy, with 242 steel manufacturing and processing facilities, and an annual economic impact of \$7.2 billion. About 22,000 Ohioans are directly employed in steel producing and processing.

The past year was important for policy-related discussions about the environment and climate change. The steel industry continues to work hard at reducing emissions and improving our overall energy efficiency. Since 1990, we have reduced energy consumption per ton of steel produced by 33 percent. Carbon emissions per ton of steel produced are lower in the United States than in any other country in the world.

Ohio steel companies stand ready to reduce carbon emissions still further, but we believe that federal energy and climate change legislation must address not only targets for carbon reduction, but also resources for attaining these targets. Any significant effort to reduce carbon emissions will depend on new research and new low-carbon technologies, which industry alone does not have the means to fund.

In addition, federal climate change legislation must ensure that new caps on carbon emissions do not result in a competitive disadvantage for domestic goods. There will need to be measures for verifiable and enforceable border adjustments, requiring imported goods to bear the same climate policy-related costs as U.S. goods.

As climate change legislation takes form, we will maintain our position as an environmental leader. Steel, itself, is the most recycled material on the planet, and our plants in Ohio are equipped with innovative environmental programs. For example, many Ohio steel mills capture blast furnace gases and use those gases to provide heat for plant buildings, steam for production operations, and electricity for the power grid.

Many Ohioans do not realize that some of the "green jobs" we hear so much about are right here in Ohio steel plants, which are making components for wind turbines, steel for electrical grids, and lightweight steels for improved gas mileage in light trucks and autos.

Your assistance in communicating our positive environmental messages, as well as our concerns about federal climate change legislation to our decision makers in Washington is greatly appreciated.

We continue to be grateful to the Ohio General Assembly and to Ohio Gov. Ted Strickland for an amendment in the FY10/FY11 budget bill that addresses a potential problem with the kilowatt-hour tax for self-assessing purchasers. The provision will eliminate tax increases that would have occurred as electricity costs increased.

This year will be another challenging one for steel, but we look forward to working together with you toward the best possible conditions for business growth and prosperity in Ohio.

Sincerely,

Lisa Patt-McDaniel

Chair, Ohio Steel Industry Advisory Council
Director, Ohio Department of Development

Roger Lindgren

Industry Co-Chair, Ohio Steel Industry Advisory Council
President and CEO, V&M STAR

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