

Testimony of Mr. Fred von Ahrens

Vice President, Manufacturing, Tronox Alkali, Green River, Wyoming

S. 2031 “American Soda Ash Competitiveness Act”

Before the

SUBCOMMITTEE ON PUBLIC LANDS, FORESTS AND MINING
SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES

October 1, 2015

Good afternoon Chairman Barrasso, Ranking Member Wyden, and members of the Subcommittee.

My name is Fred von Ahrens. I am the vice president of manufacturing for Tronox Alkali, in Green River, Wyoming. Tronox operates two trona ore mines and several processing and refining facilities in Green River, at which we produce natural soda ash, an essential ingredient in the production of glass and detergents. We also produce forms of sodium bicarbonate – more commonly known as baking soda. In addition to its use in the food industry, sodium bicarbonate is widely used in the agriculture and healthcare industries.

I am here representing Tronox Alkali, and the four other U.S. producers of natural soda ash – Tata Chemicals, OCI, and Solvay, also based in Green River, and Searles Valley Minerals, based in Southern California.

I am pleased to report that the soda ash mined and processed on federal lands is the country's largest inorganic chemical export by volume, contributing more than one billion dollars annually to our balance of trade. These five companies meet almost 100 percent of the domestic need for soda ash.

Combined, the five U.S. natural soda ash producers employ more than 3,000 full-time skilled workers, approximately 1,000 of whom are represented by the United Steelworkers. A recent report prepared by PricewaterhouseCooper for the Industrial Minerals Association - North America notes that 18,000 indirect jobs are also dependent on the U.S. Natural Soda Ash Industry, including port workers in Washington state, Oregon, California, and Texas, the railroads, the glass packaging and window manufacturing industries, and the auto industry. The five companies also have corporate offices in Connecticut, New Jersey, Oklahoma, Pennsylvania, and Texas, with staff totals of more than 500.

I would like to submit for the record, letters written in support of S.2031 by the International Longshore and Warehouse Union, the United Steelworkers, the Glass Packaging Institute, and the Union Pacific Railroad.

S.2031 and H.R.1992 set a two-percent royalty rate on the mining of trona ore on federal lands for a five-year period. Mr. Chairman, recent history has demonstrated that a two percent, as opposed to a six-percent, federal royalty rate can have positive impacts:

- First, it fosters robust export growth consistent with the President's National Export Initiative (NEI);
- Second, it leads to expanded domestic manufacturing capacity and jobs growth; and,
- Third, it results in an increase, rather than a decrease, in federal royalty revenues by spurring development of the resource.

Mr. Chairman, the 2006 and 2013 royalty rates enacted by Congress came out of a recognition that global economic conditions, specifically the emergence of stiff Chinese competition, was

eroding America's natural soda ash advantage. We ask that Congress continue to support the positive growth of this important domestic industry by enacting S.2031 and H.R.1992.

As you are aware, there are two methods of producing soda ash – the natural method utilizing trona ore, employed by the five U.S. companies, and a synthetic process. China is the largest producer and exporter of synthetic soda ash. The natural process is a more efficient way of making soda ash and has significant environmental advantages over the synthetic process, which generates a large carbon footprint and has other negative environmental impacts.

Mr. Chairman, I would like to submit for the record a life-cycle assessment commissioned by the Industrial Minerals Association - North America which contrasts the environmental impact of the Chinese manufacturers to the five U.S. natural soda ash producers.

In addition, new synthetic soda ash facilities are coming on line in countries such as India and Vietnam. Many of these countries lack the environmental regulation – and associated cost to production – that we have in the U.S. Emissions from a recently commissioned plant in Vietnam have poisoned local waters resulting in a mass fish kill and have lowered air quality to unhealthy levels in surrounding communities.

As I mentioned, the five U.S. producers of natural soda ash meet almost 100 percent of the domestic need for the manufacturing of windows, mirrors, auto windshields, and glass containers and other important industries. Over the last year, however, we have seen competitors from Germany, Turkey, and more recently, India enter the U.S. market.

Approximately 58 percent of our production is exported, primarily to the Pacific Rim, Latin America and South America. Ten years ago, this export to domestic ratio was the reverse, with more than 60 percent being used domestically.

This change is directly correlated to the historic fluctuation in the royalty fees the U.S. companies pay for mining on federally owned lands. A higher royalty will also reduce the capital available to our companies that is required to expand our processing capacity and invest in innovations to improve the efficiency of our mining operations.

Mr. Chairman, from 1996 to 2006, when the royalty rate was at six percent, approximately 1,000 jobs were lost in the domestic industry and our global market share declined precipitously. There was a similar decline in market share when the rate reverted to six percent again from 2011 to 2013. This rapid decline in export growth resulted from a sudden and dramatic change in global competition. In the brief span of the decade of the 1990s, China went from importing more than one million tons of soda ash to being a major exporter, and it is now the United States' largest competitor in the region.

We believe that when global demand rebounds, that our industry is well positioned to expand capacity and create greater employment opportunity for skilled workers at wages markedly higher than those in the surrounding community.

In 2006, just as today, our more efficient and lower carbon footprint natural soda ash production process when allowed to compete fairly on a level playing field can beat any other producer in the world. In sum, then as now, if conditions are equal, we know we can compete with any other global producer. From 2006 to 2011, with the predictability of a stable two-percent royalty, the U.S. soda ash industry nearly doubled its rate of investment, spending more than \$158 million to expand capacity and make needed improvements.

The U.S. natural soda ash industry has centuries of trona ore reserves to meet domestic and global demand several generations into the future. The cost of production, however is heavily impacted by processing costs, and for the manufacturers to expand capacity and invest in innovative new mining and processing technologies, the industry needs the assurance that it will have the required capital resulting from a two-percent royalty fee over the next five years.

Thus, Mr. Chairman, we again turn to Congress to restore the two-percent royalty rate by enacting S.2031. In sum, soda ash production represents world-scale, U.S.-based manufacturing at its best. We hear every day how American manufacturing jobs are disappearing and we have a shrinking middle class. The production of soda ash from U.S. natural resources in Wyoming and California is done by skilled workers with an average salary of more than \$85,000 per year in very small, rural communities. Growing U.S. soda ash exports will increase the number of those jobs. Moreover, it will help grow revenues at the Treasury.

When the Congressional Budget Office produced cost estimates for legislation implementing this proposed royalty reduction, it suggested that the revenue loss to the federal government would be \$16 million a year, or \$80 million over the five-year period. History, however, shows that this will not be the case. When the royalty was lowered to two percent from 2006 to 2011, royalties to the federal government actually rose over the five year period with the government taking in about \$85 million in revenue because of the increased production the royalty reduction helped to generate. And, that was in the midst of a global recession.

Mr. Chairman, I want to address an often cited falsehood regarding job loss during the five-year period from 2006-2011 when Congress last set the royalty rate at two percent. At the height of the recession and at a time of low demand when other commodity manufacturers suffered wide job losses, our industry was able to retain jobs and in fact, created 100 new jobs. In Sweetwater County, Wyoming where four of the natural soda ash companies are located, the unemployment rate was the lowest in the state during this period.

Mr. Chairman, I would also like to address a dissenting view that a lower royalty rate will result in less revenue going to state education programs. As previously noted, past reductions in the royalty rate did not result in federal revenue losses or subsequent reductions in federal funds going to the schools. I would like to submit for the record two letters from Wyoming Governor Matt Mead and former Wyoming Governor David Freudenthal in support of S.2031 and H.R.1992 noting their sentiment that the schools of Wyoming were not, nor will they be negatively affected by the enactment of this legislation.

Mr. Chairman, the U.S. natural soda ash industry provides a unique opportunity to create jobs, strengthen America's manufacturing sector, and have a positive impact on the global environment. Our industry has proven that it will increase jobs by increasing exports, and by increasing the U.S. industry's market share we will also be reducing greenhouse gases. Because the U.S. soda ash industry uses a natural method of producing soda ash, the U.S. industry uses roughly three times less energy and emits two to three times fewer greenhouse gases than our Chinese competitors relying on the synthetic method for production.

The demand for soda ash will be met in some way. This Subcommittee has the opportunity to reduce global greenhouse gases and increase jobs by supporting the U.S. Soda Ash industry. We would suggest the bill before you has already proved successful in doing so, and call on the Congress to reinstate the two percent rate.

Thank you for your consideration of our views. I would be pleased to take any questions from the Subcommittee.