MAGUIRE ENERGY INSTITUTE

Executive Summary:

U.S. Economic Recovery and Cement Industry Regulations:

Proposed Portland Cement NESHAP Rule

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As the United States continues to deal with a prolonged economic downturn, policy-makers and analysts have continually pointed to proposals that would increase government spending on infrastructure as a ready method for jumpstarting the domestic jobs market and the national economy. Indeed, this concept was a key component of the $787 billion American Recovery and Reinvestment of 2009 (ARRA).

While ARRA is currently being implemented and new jobs bills are being proposed, the U.S. Environmental Protection Agency (EPA) has proposed new national emission standards for emissions of hazardous air pollutants from cement kilns (NESHAP). Concerns have been raised regarding achievability, regional disparities, technological constraints, and even the environmental benefits attributable to the proposal. What is not in dispute is that EPA's proposed NESHAP will lead to cement plant closures, cancellation of new capital investment, and a greater reliance on cement imports. Such a result will have a marked impact on the ability of infrastructure investment to deliver economic growth and, most importantly, jobs.

To address the potential impact of the proposed regulations, this report first uses the well-established IMPLAN input-output model to estimate the total direct and indirect economic impact of the cement industry on the U.S. economy at more than $1 trillion. This total includes the domestic cement industry itself as well as the construction projects that are dependent on affordable and reliable cement supplies. According to the IMPLAN model, the cement industry itself directly supported more than 17,000 jobs in 2008. When the model accounts for indirect employment from vendors selling to the industry, and induced employment derived from spending by cement and related industry workers, the jobs total exceeded more than 153,000 nationwide. Importantly, these are primarily high-wage jobs generating about $7.5 billion annually in wages and benefits.

The report next uses the IMPLAN model to measure the potential effect of the proposed regulations on the cement industry and the U.S. economy. The result shows that for every job lost in the cement industry due to the NESHAP, another eight will be lost across the economy. Put differently, should 10 percent of the domestic industry disappear, the direct, indirect and induced job losses would exceed 15,000. Additionally, a significant decrease in construction supplies can result in a significant decrease in the number of jobs created by federal stimulus activities. Therefore, significant outsourcing of cement production capacity places almost 40 percent of the jobs impact of certain projects at risk.

These impacts are illustrated by a case-study of Lafarge North America's Harleyville, South Carolina, cement plant, this report details how the company was forced to scrap a planned expansion at the site due to the projected costs of regulatory compliance, sacrificing the creation of temporary construction jobs and long-term cement plant employees.

This report concludes that EPA's proposed NESHAP would undermine the balance between environmental protection and the economic viability of the cement industry. This report argues that EPA should rethink its approach by designing a rule that more closely approximates what is achievable in practice and in all regions of the United States. Such a rule better achieves the balance of environmental and economic protections contemplated by the Clean Air Act.