HUNTSMAN

Enriching lives through innovation

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United States Senate
Committee on Finance

"American Made: Growing U.S. Manufacturing Through the Tax Code"
March 12, 2024, 10:00 a.m. EST
219 Dirksen Senate Office Building
Washington, D.C. 20510

Why I Am Here Today

Chairman Wyden, Ranking Member Crapo, Members of the Committee, thank you for this opportunity to appear before the Committee to testify on how to best calibrate the tax code to grow U.S. manufacturing. It is an honor. I take very seriously our First Amendment right to engage directly with elected officials and policymakers of both parties to help educate and inform them about how Huntsman Corporation and American chemical manufacturers manage risk, make capital decisions, grow our employee base, return capital to shareholders, and safely deliver the products that make modern life possible.

The primary reason I am here today is to share my observations on policy, political, business, and cultural forces that are shaping investment decisions by U.S. manufacturers, especially those that are energy intensive. I am not a tax expert; I rely heavily on our company finance and tax teams to help me understand the complexity of the tax code. However, after four decades in the chemical industry, I do understand how the tax code—and other inputs—incentivize or disincentive manufacturing investment decisions in the United States.

I hope Members of the Committee come away with the following conclusions from my testimony:

1. **American manufacturing dominance, prosperity, security, and power are based predominantly on access to cheap, abundant, and reliable energy, primarily in the form of hydrocarbons.**
2. **The safe and environmentally secure extraction, processing, and transportation of hydrocarbons makes modern life possible. That is not hyperbole. It is physical, immutable reality.**
3. **Under existing technology, organizing the American economy and government to *entirely eliminate* greenhouse gas emissions will create scarcity of the chemical building blocks of modern life, increase the costs of all goods and services, inhibit U.S. economic growth and weaken America in the world.**
4. **To enable society to *reduce* greenhouse gas emissions, tax policy should be calibrated to *increase* U.S. natural resource extraction, material refining capacity and chemical manufacturing more efficiently and productively here in the United States, where we have the strongest, risk-based environmental laws and regulation in the world. It is the chemical sector that develops the molecules that allow individuals and society collectively to lower their greenhouse gas emissions.**

5. **Long term taxpayer subsidy of intermittent and unprofitable electricity production is already creating market distortions across the entire manufacturing value chain and supplanting reliable and profitable sources of energy.**
6. **Only when EVs become affordable and reliable to buyers and profitable for manufacturers will there be meaningful EV adoption.**
7. **If the threat of climate change is existential to humanity, the U.S. Congress should directly finance or incentivize the construction of emissions free nuclear energy facilities across the entire nation.**

The Huntsman Story

The Huntsman story is the story of American manufacturing.

Through the vision and tenacity of my father, Jon Huntsman, Sr., and supported by tens of thousands of employees over a half century, Huntsman Corporation today is a New York Stock Exchange (NYSE) traded company headquartered in The Woodlands, Texas with 2023 revenues of approximately $7 billion, 6,000 employees and operations in 25 countries. My father's life began in 1937 in a Blackfoot, Idaho home with no indoor plumbing. By the end of his life in 2018, he had donated nearly $1 billion dollars to endow the Huntsman Cancer Institute (HCI) at the University of Utah in Salt Lake City. Today, HCI is the leading cancer hospital in the Mountain West Region and has saved tens of thousands of lives through world leading cancer treatment.

After dropping out of college, I started my career in 1983 as a truck driver delivering oil across the Intermountain West. In 2000, I became President of the company and in 2017 Chairman and CEO. As our company grew from a small California packaging company into a multinational chemical company, I have witnessed boom and bust business cycles, mergers and acquisitions, multiple iterations of "peak oil," the collapse of the Soviet Union, reunification of Europe, the rise of China, the creation of the Internet and the transformational impact of hydraulic fracturing, among others. Today, I am eager watch how Artificial Intelligence changes the chemical industry and world. I have also observed the tax policy and regulatory environment impacting U.S. manufacturing ebb and flow across Democrat and Republican Administrations and Congresses. Our company and the chemical industry have played a role in all of it.

Raw Materials, Feedstocks, Chemical Manufacturing, and Innovation

I want to provide a basic primer on what chemical companies do because chemicals are the building blocks of all American manufacturing. In the most basic form, we take atoms and molecules, break them apart and then put them back together to make the building blocks of virtually everything you see and touch in modern life. Automobiles, passenger airplanes, solar panels, wind blades, smartphones, computers, and televisions, residential and commercial buildings, pharmaceuticals, missiles, fighter planes, clothing, soap, shampoo, shoes, clean drinking water and crop fertilizer are just a few examples of modern miracles made possible by chemical manufacturing.

The most utilized starting atoms, or "feedstocks," for chemical manufacturing are hydrocarbons derived from petroleum, natural gas, natural gas liquids and coal, otherwise known as fossil fuels. Without abundant access to fossil fuel feedstocks, we cannot manufacture chemicals. Without chemicals, virtually all U.S. manufacturing would cease.

The scientists and engineers in the American chemical sector go to work in laboratories across the country every day and work to improve existing molecules and develop new ones. When commercially viable, their laboratory innovations move to manufacturing plants and into the marketplace. While abstract to the average person, that molecular innovation ultimately manifests itself in our sustainable modern lives – lighter airplanes and cars,

longer lasting clothes, stronger building materials, clean drinking water, new medicines and cancer treatments, and larger crop yields. Human lives are enriched and lengthened through chemical sector innovation and manufacturing.

Lack of Understanding of How Things Are Made

I am increasingly concerned that many government and business leaders lack an understanding of how "things" are made. In the post-Cold War era of globalization, the United States underwent a low-level form of deindustrialization as the appeal of cheap labor and growth markets in Asia pushed supply chains out of North America. Two examples of this trend in the 1990s and 2000s were the Pennsylvania steel industry and textiles in North Carolina, among others. Wall Street became the highest paying sector in the 1990s and 2000s. It was then followed by Silicon Valley and the tech boom. Quite simply, "making things" went out of vogue because it was done "out of sight and out of mind."

Looking back with the benefit of hindsight, I believe the post-Cold War manufacturing exodus led many policymakers and business leaders to simply forget how things are manufactured at the most basic molecular level or, as we say in the chemical industry, "upstream." This trend is best encapsulated by Apple's famous "Designed in California Assembled in China" label on their products. To most people, the iPhone is a supercomputer we use every few seconds connecting us to the entire world. As a chemical industry leader, I see a device consisting of minerals and elements extracted from the Earth and refined thousands of times over into chemicals, plastic, glass, and materials brought to market via one of the most sophisticated supply chains ever developed. The same is true of millions of other products we use in our daily lives.

Natural Resource Extraction is the Base of American Manufacturing & The American Way of Life

One of the biggest threats to American manufacturing power, security, prosperity is the belief that we can choose *not* to extract our natural resources and convert them into the materials that enable our citizenry to thrive. Since the beginning of recorded history to the modern-day international system, human beings and nation states have used natural resources to survive, prosper, trade and project power. This has been an invariable part of human nature and will always be so.

In the current policy, political and business arenas, opposition to natural resource extraction manifests itself in the idea that American society – and the world – can somehow "transition" away from fossil fuels and their derivative materials, including chemicals, and somehow maintain our way of life. Until the advent of new technology or a massive expansion of nuclear power, this is simply untrue and not physically possible. To believe so is both naïve and dangerous. Serious countries and people understand this reality. On the issue of fossil fuel extraction, I fully align myself with J.P. Morgan Chase & Co. Chairman and CEO Jamie Dimon when he testified in the U.S. House of Representatives in September 2022 that stopping capital investment in fossil fuel development would be "the road to hell for America."

Until relatively recently, the notion that we could eliminate fossil fuels while still sustaining modern society was mostly a fringe idea and dismissed by serious leaders in government and industry. Over the last two decades, as seemingly well-intentioned policy proposals developed to attempt to manage an ever-changing climate, anti-fossil fuel extraction policy has become normalized in Europe and, more recently, in the United States. Many governments have organized themselves around stopping natural resource extraction in the name of reducing greenhouse gas emissions to "net zero." In the business community, many companies have made "commitments" that may (or may not) come to reality in less than three decades.

"Net Zero" & German Deindustrialization

The most notable example of the danger of "net zero" government policy is Germany. Through a series of government decisions over two decades and exacerbated by Russia's invasion of Ukraine, Germany finds itself a cold winter or supply chain disruption away from having to choose between allowing industry to operate or permitting its citizens to warm their homes. Without a policy course correction around energy and natural resource extraction, Germany may be on the cusp of a once-in-a-century deindustrialization that will have enormous global impacts, including in the United States.

Just two years ago, it would have been inconceivable that the birthplace of the chemical industry could be deindustrializing. Yet here we are, waiting to see whether one of the most advanced economies and societies in modern history will be to provide cheap, reliable, and abundant heat and electricity to power its economy. I encourage all U.S. elected officials to study deeply the policy decisions Germany made as it presents a real-life example of how *not* to organize manufacturing, natural resource, energy, and industrial policy.

The Chemical Sector Enables Society to Lower Greenhouse Gas Emissions

If the goal of government and business is to reduce carbon dioxide emissions across society, U.S. government tax policy should be calibrated to *increase* domestic natural resource extraction and chemical manufacturing more efficiently and productively. It is the chemical sector that develops the molecules that allow individuals and society collectively to lower their emissions. This is evident in almost every sector across the economy. In the aerospace sector, fossil fuel derived carbon composite airplanes fly longer distances using less fuel than their aluminum predecessors. Automobiles are constructed using carbon fiber material versus steel in years past. Modern homes include insulation materials that create a building envelope, securing the valuable hot and cold air inside the home. The world population recently reached 8 billion people and, for the most part, everyone has access to food. The mass starvation that we witnessed as recently as the mid-1980's in sub-Saharan Africa is virtually obsolete. This is a new phenomenon in human history and has been made possible only by chemical fertilizer and cold chain storage. Simply stated, a vibrant chemical industry means it is within our ability to lower emissions, grow the economy, and improve lives.

Energy Efficiency & Modern Building Technology

One product Huntsman manufactures is called methylene diphenyl diisocyanate (MDI), which is a hydrocarbon-based "polymer of prosperity." MDI has versatile uses, including as a component of spray foam insulation. Spray foam insulation is by far the most efficient and effective way to insulate a building and can reduce energy consumption by up to 50%.

We worked closely with Senators Maggie Hassan (D-NH), Susan Collins (R-ME) and other members of the Committee on legislation that modernized and updated the standards and definitions in the Energy Efficient Home Improvement Tax Credit (25C). These updates were subsequently included in the *Inflation Reduction Act of 2022* and help ensure that government support for energy efficiency will favor modern insulation technology versus outdated and less energy efficient technology.

Electrification of the U.S. Transportation Sector & The Battery Supply Chain

Huntsman Corporation manufactures products for automakers all around the world. We defer to automakers on whether consumers want to drive electric vehicles (EVs) or internal combustion engines (ICE) cars. We will manufacture the products needed by car companies to meet their market goals and technology specifications.

The IRA committed hundreds of billions of taxpayer dollars to incentivize American consumers to purchase electric vehicles with the goal of creating a U.S. EV supply chain. Simply put, a car battery is an amalgamation of refined elements, minerals and chemicals. When developing the legislation, policymakers seemingly failed to consider that the global battery supply chain is almost totally controlled by China. As a result, the IRA directly subsidizes the extraction and refinement of battery materials and chemicals from China. Thus, any increased adoption of EVs in the United States will increase our nation's dependence on China in the automotive industry.

Despite tens of billions of announced investments in battery assembly in the United States since the IRA passed, almost 100% of the battery raw materials we need will continue to be sourced from China for the foreseeable future. If the U.S. wants to ensure battery supply chain security and resilience, federal, state and local governments must collectively enable a massive expansion of mining and chemical refining in the United States. These changes must come to pass if American companies are to have any hope competing against lower cost Chinese labor, Chinese coal based manufacturing and Chinese pricing actions in the global marketplace.

Thwarted Huntsman Investment in U.S. EV Supply Chain

Huntsman is the only North American manufacturer of a EV battery input called ethylene carbonate (EC), a chemical that is central to the production of electrolyte for EV batteries. You simply cannot have an EV battery without an electrolyte and you cannot have an electrolyte without EC.

Before the IRA became law, Huntsman decided made the decision to invest $50 million at our Conroe, TX manufacturing plant to increase our U.S. EC production capacity by 530% to supply the domestic EV battery supply chain. Almost immediately after the IRA passed, Chinese producers slashed prices of EC by 75% to a point far below Huntsman's cost of production in the United States. Unfortunately, I had to suspend this project expansion until prices stabilize and the investment makes economic sense for Huntsman shareholders to whom I owe a clear fiduciary duty.

Tax Policy, Permitting & Overregulation

U.S. tax policy can only incentivize capital investment and unleash American manufacturing if companies are also able to obtain permits to put shovels in the ground to build and regulatory approvals to sell what we make. In the chemical sector, it takes almost three years to get a new molecule approved by the U.S. Environmental Protection Agency (EPA) for sale in the marketplace based on bipartisan legislation passed enacted in 2016.

For example, if Huntsman were to develop a new material or chemical that would enable the transportation sector to massively reduce the weight of trucks and cars and simultaneously lower tailpipe emissions, it would take at least three years to be approved by EPA. If it takes three years to get a new chemical approved by EPA, how can an American chemical company ever commit capital to increase large scale manufacturing of the product? What is the impact on greenhouse gas emissions while a new chemical awaits EPA approval?

American Manufacturers Welcome Strong, Effective and Risk Based Regulation

The United States has the strongest and most effective environmental laws governing clean air and water in the world. It was not always that way and industry has made mistakes. However, when you compare the environment in the developed world today to even 1980, the progress is staggering. The water in the Potomac River, the air in Los Angeles and our rivers and streams throughout the United States are all cleaner. This is due to the combination of strong government regulation, corporations being held legally accountable for wrongdoing and because wealthy nations have the financial resources to prioritize the environment. The more prosperous a society becomes, the better it can manage the environment.

Every single day the chemical sector manufactures, handles, stores, transports and sells hazardous materials across the world. To deliver the products that make modern life possible does incur risk. We spend billions of dollars on environmental, health and safety of our employees and in the communities where we operate. Safety is a deeply ingrained value and our license to operate. In my 40 years in the industry, I can state unequivocally that we have greatly improved our safety record. As in all human endeavors, mistakes and failures occur. Our safety record demonstrates we constantly strive to learn and improve as a company and industry.

Complex Industrial Systems, "Transitions" and Policies That Do No Harm

The United States possesses the most sophisticated energy production and electricity delivery system in the world. It also has the world's best automotive manufacturing sector with an enormous supply chain supporting it, including the chemical sector. Every day, the energy system delivers electricity to 330 million people so they can power their businesses and lives. Every single American has on-demand access to refined petroleum products to fuel their automobiles. Together, the energy and automotive sectors employ millions of Americans and generate hundreds of billions of dollars in wealth for Americans.

They are two bedrocks of American manufacturing strength. They are also two of the most amazingly complex manufacturing systems in human history. They are the envy of every other nation in the world and their processes have been refined over 150 years through efficiency and human innovation. Yet, we take them for granted and often fail to appreciate how easily they can be irreparably harmed by bad government policy and improperly incentivized business decisions.

I encourage the Committee members to consider that, over the last decade, European and U.S. governments have collectively committed trillions of taxpayer spending to "transition" away from energy sources that successfully power modern economies to energy sources that cannot do so. European and U.S. governments have subsidized a "transition" to passenger vehicles for which no mass market demand exists and the electricity generation needed to fuel them is not possible. In both cases—maybe for the first time modern American history—we are investing a huge portion of American productive capacity into duplicative and parallel energy and transportation systems that will do very little to improve lives or lift people out of poverty. We already have the best energy system and automotive sectors in the world. Why are we spending trillions of dollars of public and private capital to try and replicate the exact same system?

Today, government and business leaders talk about "transitions" of the U.S. energy system and automotive sector as a forgone conclusion that will just happen without massive financial, human and reliability costs. Complex systems that profitably mass produces materials society wants and needs are very hard to "transition" away from because they represent the essence of free market capitalism. An energy or automotive "transition" will only happen when new, undeveloped technology is scaled to meet mass market demand at a profit. No amount of government spending can supplant these systems without enormous damage to American manufacturing and American lives.

As Committee members consider changes to the tax code to spur American manufacturing, I encourage you to examine what has worked consistently over time and "do no harm" when harnessing the power of government on large, complex industrial systems.

Looking Ahead

I am highly optimistic about the future. The United States, with its combination of freedom, capitalism, scientific inquiry, deep capital markets, legal protection, and entrepreneurial spirit, possesses the power to solve humanity's problems. As the geopolitical tides churn and countries reassess their priorities in a more dangerous world, regionalized supply chains will take precedence.

Government policy around natural resources, self-sufficiency and manufacturing have returned to the forefront of policymaking. Industrial policy, regulatory decisions and capital expenditures made today by government and business leaders will impact America and the world for generations to come. We don't need to look far to see the damaging impact of bad public policy around taxes, natural resources, energy, chemicals, and material innovation.

History shows that such policy decisions determine the fate of nations and societies.

I look forward to your questions.