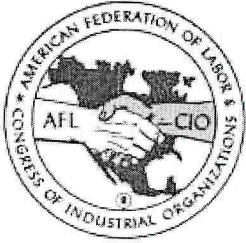


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LEGISLATIVE ALERT!

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AFL-CIO Energy Task Force: Jobs and Energy for the 21st Century

It is time for our nation to take bold steps to meet the 21st century challenges related to energy policy. We believe our nation should embrace a balanced approach that assures abundant, affordable energy supplies, creates good paying jobs for American workers, improves the environment, and reduces our dangerous dependence on foreign oil.

In moving new energy initiatives underwritten by subsidies and tax changes the government must consider the national and regional impact on employment and production in the U.S. The financial incentives must be designed to both address the nation's energy needs and result in the retention and creation of good American jobs. Modernization and upgrading of existing facilities and the development of new technologies that can be manufactured domestically must be the priority. Financial incentives must not encourage the movement of work offshore but should allow for reasonable time frames so that industries that are large users of energy have time to adjust.

Electricity

The production, transportation and distribution of electrical energy is critical to the success of the U.S. economy. Reliable and affordable electrical energy is also the lifeblood of the manufacturing, transportation, construction and service industries. Unilateral energy price increases in the U.S. that do not affect many of our trading partners would place U.S. industries at a competitive disadvantage and cost U.S. jobs.

The AFL-CIO supports electrical energy policies that will:

- Maintain diversity in the electric utility industry, by retaining all current generating options, including fossil fuels, nuclear, hydro and renewables, to ensure a stable, reliable and low-cost supply of electricity for the United States.
- Guarantee states' regulatory authority over the generation and delivery of electricity within their borders and the right to remain free from federal efforts to coerce them into joining regional wholesale electricity markets;

Apollo Project

The AFL-CIO has endorsed the bold and broad-based Apollo Project for Good Jobs and Energy Independence. It represents an approach for promoting good jobs, driven by significant public investment and backed by meaningful standards that ensure domestic job creation and real efficiency and environmental gains. It will create three million good jobs in manufacturing, construction, operations and maintenance and expand markets for American-made clean-

energy durable goods. The project will also pay huge dividends in reduced utility bills, increased productivity and competitiveness, cleaner air and water, and reduced dependence on foreign oil.

The Apollo four-part plan calls on each level of government to:

Reduce dependence on foreign oil by promoting efficiency and developing homegrown alternatives; this includes carbon sequestration and clean coal technology, a modernized electrical infrastructure; domestic production of advanced technology vehicles; and energy efficient appliances.

- Invest in clean, renewable power; this includes biomass, wind, solar and distributed electricity generation using stationary fuel cells.

Save energy with high-performance, energy efficient buildings; and

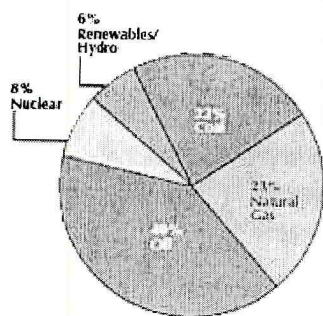
- Restore our communities with new investments in transit, smart growth and in construction and maintenance of our national and interstate highway system

Oil Supply and Demand

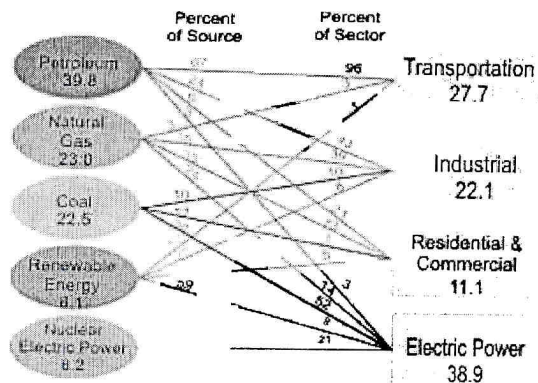
World demand for oil is growing, led by explosive growth in some developing nations, notably China, as well as steady growth in developed nations that already have high demand. The Department of Energy (DOE) projects that world oil demand will grow by 15% over the next ten years, with China and the U.S. by far the top two sources of increased demand. However, DOE also projects that world oil production will expand enough to meet that demand, and that the real price of oil will fall over that period.

Total Domestic Energy Use by Source

The U.S. relies upon fossil fuels to meet over 85% of its total energy needs (2003).



Data Source: Energy Information Administration, 2004

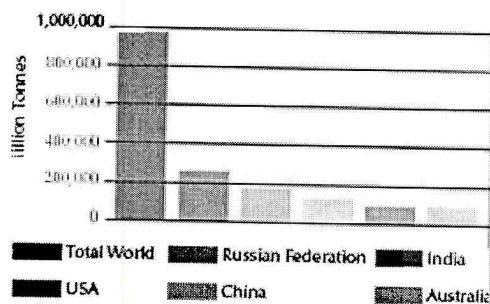


Although there is no looming oil shortage, there is increased competition for access to oil, especially to cement the commercial and political relationships with nations that own proven oil reserves. The threat to U.S. oil supplies lies in the amount of our oil that comes from politically volatile regions. Currently, 28 percent of the world's oil is produced in the Middle East, a portion

the DOE estimates will not change in the next ten years. To lessen this risk, the U.S. needs to pursue policies that will reduce our dependence on foreign oil.

Proved Coal Reserves

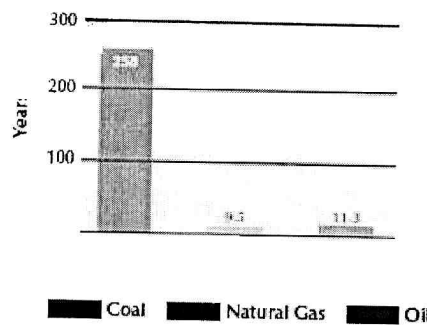
The United States has the largest proved coal reserves of any nation in the world (the top five nations are shown here).



Data Source: BP, 2004

U.S Fossil Fuel Reserve/Production Ratios

At current production levels U.S. proved coal reserves would last over 250 years



Data Source: BP, 2004

Fortunately, the U.S. has an abundant energy resource in coal and we should utilize these vast resources in the transportation sector, while accelerating development of carbon sequestration technologies. With a huge fertile land base and moderate climate the U.S. has an untapped abundance of renewable energy resources such as wind, solar and biomass-derived fuels.

Developing and harnessing these resources can provide a path to reducing our reliance on foreign oil, while promoting broad-based economic development. Each of these resources faces technical hurdles, either in making the energy deliverable at competitive prices, or in making it available in a fashion that does not greatly expand U.S. emissions of greenhouse gasses. The federal government should take the lead in funding research and demonstration projects to meet these challenges, and to allow us to use these resources, wisely, efficiently, cleanly and safely.

Automotive Sector

The U.S. should pursue measures to improve energy efficiency. In particular, as embodied by the ideas in the Apollo Project, the AFL-CIO calls on Congress to establish a Marshall Plan to help re-tool the U.S. auto industry to accelerate domestic production of advanced technology and alternative fuel vehicles and their key components. This includes hybrid, diesel and fuel cell vehicles, as well as vehicles that run on ethanol and other alternative fuels. This initiative would help create tens of thousands of automotive jobs for American workers, while at the same time helping to reduce global warming emissions and our reliance on foreign oil.

Currently many advanced technology vehicles are assembled overseas, and virtually all of the key components are built in foreign countries. However, a study by the University of Michigan's Transportation Research Institute demonstrates that federal incentives to encourage domestic production can reverse this trend, create jobs and result in higher tax revenues for the federal and state governments.

The AFL-CIO supports federal and state initiatives to require oil refiners and gas sellers to include more alternative fuels in their products. At the same time, federal assistance is needed to help establish the infrastructure needed to deliver higher volumes of alternative fuels to consumers.

The AFL-CIO would only support giving the National Highway Traffic Safety Administration (NHTSA) the authority to establish a size-based CAFE system for cars (similar to the system that exists for light trucks), if this contains an anti-backsliding rule that protects domestic production of small cars and guarantees overall improvement in fuel economy. The federation will continue to oppose extreme, discriminatory CAFE proposals that are neither economically or technologically feasible, and would jeopardize the jobs of thousands of American automotive workers.

Climate Change

A growing body of scientific evidence has confirmed the environmental challenges posed by global warming. Human use of fossil fuels is undisputedly contributing to global warming, causing rising sea levels, changes in climate patterns and threats to coastal areas.

Because of these dangers, the AFL-CIO supports balanced measures to combat global warming. However, the federation opposes extreme measures that would undermine economic growth, harm particular sectors, or placing ourselves at a disadvantage to other nations. We believe any approach for addressing greenhouse gas emissions must be done upstream on an economy-wide level, with contributions from each sector in proportion to the greenhouse gas emissions of that sector. Any mandatory tradable-permits program should initially seek to gradually slow the growth in greenhouse gas emissions, and should also contain a "safety valve" cost cap to protect the economy. In addition, U.S. efforts to address climate change should be conditioned on similar actions by U.S. trading partners and developing countries.

Any auction of carbon permits should be reasonable in scope and must assure that no sector is disproportionately burdened. The revenues generated should be primarily targeted to finance improvements in technology that will allow clean energy to be produced at prices close to what consumers pay for energy from conventional sources, and to encourage deployment of this technology in manner that promotes domestic production and jobs for American workers. This includes incentives for conversion to clean coal technology, carbon capture and sequestration, domestic production of advanced technology vehicles and their components, energy efficiency and renewable energy resources. We also recognize that hydro and nuclear energy are non-carbon emitting types of generation that also help maintain energy diversity in the electric utility industry.