CHEMICAL SAFETY

Chemicals play an important role in many Koch companies’ products and processes. From petrochemicals made by Flint Hills Resources that are key ingredients in plastics and packaging, to chemicals used by Georgia-Pacific to make building materials and paper, and INVISTA intermediates used for carpeting, apparel and more, chemicals are at the heart of many of our businesses.

While chemicals improve the quality of our lives, adding to our comfort, safety and security, the ones used in our facilities are handled with care and by trained professionals. By choosing to work with chemicals, Koch companies accept the responsibility and are committed to providing a safe, secure and healthy environment for our employees, our neighbors, our contractors and our customers.

Chemical Facility Anti-Terrorism Standards

Whether a company is manufacturing, storing or transporting chemicals, its processes and facilities can be vulnerable to human error, acts of nature, theft and sabotage. Although it is impossible to completely eliminate every threat, Koch companies’ commitment to Principled Entrepreneurship™ places compliance and safety before profit and demands that we take appropriate precautions, in full cooperation with government authorities, to limit our vulnerability.

In 2007, the Department of Homeland Security under authority provided by Congress, set strict standards for chemical facility security through a regulation known as Chemical Facility Anti-Terrorism Standards or CFATS.

The CFATS regulation prompted a review of chemicals stored at nearly 40,000 facilities across the United States including warehouses and university laboratories. This review will determine whether these sites would present a high security risk because they possess or plan to possess chemicals that terrorists may use or target for acts of terrorism. As DHS completes its determination of which sites will be regulated, CFATS inspectors will inspect facilities to ensure compliance and will be empowered to apply strict penalties for regulatory violations. As of November 2009, nearly 2,000 facilities across the United States have been designated as presenting a high level of security risk, and more than 4,000 others are under final consideration for inclusion in the program.
Legislative Update

In November 2009, the House of Representatives narrowly passed new legislation that would fundamentally alter the CFATS program and increase cost and regulatory burden while shifting focus away from security and toward environmental considerations. Despite House approval, many members of Congress expressed concern about the cost of this legislation to businesses, and the impact on manufacturing jobs. The Senate did not take action on this bill in 2009 and Congress approved and the President signed legislation providing a one-year extension of current CFATS authorities and regulations.

In 2010, Congress will again be forced to consider this issue due to the expiration of the one-year extension. An encouraging effort has emerged in the Senate with bi-partisan legislation sponsored by members of the Senate Homeland Security and Government Affairs Committee to extend the current CFATS program for five years. This is in sharp contrast to the House bill which would have given government the authority to mandate product substitution through a vague concept known as "inherently safer technology." The IST provision would require manufacturers to use certain products and processes without regard for practicality, availability or cost. Mandating IST would result in even more job losses and higher consumer prices as American manufacturers struggle to comply with the new regulations and compete with overseas manufacturers. The bill will also restructure, and likely add additional cost to security programs currently in place for Koch companies' facilities whose security has been monitored and overseen by the United States Coast Guard since 2004. During this time not one incident of terrorism has occurred. The bill will also allow citizens or special interest groups to sue federal agencies in an effort to challenge security decisions made by the Department of Homeland Security.

Our position on chemical safety

In the current economic environment, regulatory and policy certainty is more critical than ever. Senate Bill 2996, "The Continuing Chemical Facilities Anti-Terrorism Standards Act of 2010," currently being considered will provide regulatory and policy certainty while building on the success of the current CFATS model in strengthening the safety and security of chemical facilities.

Koch companies supported the one-year extension of the current CFATS regulations signed by President Obama in 2009. We also support Senate Bill 2996 which would extend CFATS through October 2015 without imposing dramatic and costly interruptions to ongoing implementation efforts by business and government. This bill does not mandate onerous security measures such as IST, which fail to produce a marginal benefit relative to their significant cost. It also preserves the current exemption for facilities already regulated under the Maritime Transportation Security Act (MTSA), allowing the U.S. Coast Guard to continue their effective and robust implementation of that program.

If CFATS is not extended and an IST mandate is put in place, the nation's manufacturing industry would be placed at a significant competitive disadvantage. Any legislation considered by the Committee on Homeland Security or on the Senate floor needs to take into account the regulatory and economic impact on the manufacturing industry in the U.S.