



Charles A. Kitchen
Director, Government Relations

July 26, 2006

The Honorable Charles E. Grassley
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Mr. Chairman,

I am writing on behalf of Arkema Inc., a diversified chemical manufacturer headquartered in Philadelphia, PA. Arkema requests that the Senate Finance Committee include Senate bill (S. 2188), as introduced by Sen. Santorum, to suspend temporarily the duty on *hydrazine hydrate*, in the Conference Report for the Miscellaneous Trade and Technical Corrections Act of 2006. The House Ways & Means Committee had mistakenly dropped the companion House bill (HR 2438) from its omnibus package under circumstances explained below.

HR 2438 was introduced by Representative Tim Murphy (R-PA) and submitted to the Ways and Means Committee for inclusion in HR 4944. Due to an unfortunate error in the CAS number, however, it was erroneously determined that there was a domestic producer of *hydrazine hydrate*. As a result, HR 2438 was not included in HR 4944, which passed the House of Representatives on March 15, 2006. The facts and circumstances are as follows.

Both Lanxess Corporation (headquartered in Pittsburgh, PA) and Arkema Inc., unbeknownst to one another, sought to have Representative Murphy submit a bill to the Ways & Means Committee to temporarily suspend the current tariff on imports of *hydrazine hydrate* ($N_2H_4 \cdot H_2O$) as part of the omnibus Miscellaneous Tariff Suspension & Technical Corrections bill.

Since both companies requested consideration for the same product, eventual granting of a temporary suspension covering the imported chemical product, *hydrazine hydrate*, would result in tariff suspension benefit for both companies. As a result, Rep. Murphy's staff submitted their suspension bill based on product information provided by Lanxess. Unfortunately, the CAS Number, for *hydrazine hydrate*, submitted by Lanxess was for *hydrazine* (H_2H_4). *Hydrazine*'s primary usage is as a rocket fuel. The product is produced by Arch Chemicals and it supplied solely to the federal government.

The initial *hydrazine hydrate* product information submitted to Rep. Murphy's office, by Arkema, did contain the correct CAS Number - 7803-57-8. *Hydrazine hydrate* is chemically different from *hydrazine* and is sold for commercial applications that include: blowing agents for rigid foams; water treatment; crop protection products, and precious metals recovery. To our

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knowledge, there is no domestic production of *hydrazine hydrate*. All material for the U.S. merchant market is imported into the U.S. from abroad.

Arkema respectfully requests that the Finance Committee support inclusion of the Senate bill (S. 2188) as introduced by Sen. Santorum, in the final conference report.

Sincerely,

Charles A. Kitchen

c. Hon. Craig Thomas, Chairman
Subcommittee on International Trade
U.S. Senate Finance Committee

ARKEMA INC. In the U.S., Arkema Inc. employs some 2,600 highly skilled operations personnel and R & D scientists and engineers across a number of disciplines. In 2005, the Company reported U.S. sales of approximately \$2 billion. Headquartered in Philadelphia, PA, Arkema operates 17 facilities in 9 U.S. states. Worldwide, Arkema operates 90 industrial sites in more than 40 countries, and six research and development centers. Arkema is composed of three balanced business segments: Vinyl Products, Industrial Chemicals, and Performance Products.

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