IECPA Testimony to the Senate Environmental Resources and Energy Committee Hearing to discuss the economic and employment impacts of Pennsylvania's potential participation in the Regional Greenhouse Gas Initiative (RGGI).
August 25, 2020

Chairman Yaw and Members of the Committee, thank you for the opportunity to meet with you through the use of technology. My name is Rod Williamson and I am the Executive Director for the Industrial Energy Consumers of Pennsylvania. IECPA is a trade association of energy intensive large manufacturing companies with over 25,000 employees across the state. IECPA has previously provided written testimony to this committee in June. In that testimony we hopefully made it clear that our issue is not with the underlying goals of reducing carbon emissions, but rather the unnecessary cost that would be imposed on electric generators and ultimately electricity customers in Pennsylvania associated with a carbon cap and trade program like the Regional Greenhouse Gas Initiative (RGGI). Today I would like to spend a few minutes discussing further the expected electricity cost increases, the pancaking of carbon reduction programs and program cost and the impact on large energy intensive trade exposed manufacturing companies who are major employers in the Commonwealth of Pennsylvania.

The Pennsylvania Department of Environmental Protection (DEP) with support from the Governor, is proposing to establish a carbon cap-and trade program in Pennsylvania and essentially join the Regional Greenhouse Gas Initiative (RGGI). Based on the modeling results released by DEP, Pennsylvania electric customers cost would increase by over ***$2.6 billion*** during the first 11 years of the RGGI program (see IECPA Exhibit 1). The proposed RGGI plan is to spend the funds collected under the program on more energy efficiency programs, renewable energy and carbon abatement projects. Increasing energy efficiency and increasing renewable energy are certainly laudable goals. But how many programs and increased cost of those programs do we need to layer on top of each other and on the backs of Pennsylvania utility customers?

As you are aware PA Act 129 required the Pennsylvania Public Utility Commission to develop an Energy Efficiency and Conservation Program to be implemented by electric distribution utilities. Under this structure the utilities manage programs to reduce electricity consumption and demand by collecting money through a monthly EE&C Program surcharge on all customers and then use this money to pay for the significant overhead and administrative cost to manage the program and issue funds as grants to utility customers to implement energy efficiency projects. And we're talking about a lot of money. Since the beginning of the EE&C Program (June 2009) utility customers have paid more than *2 billion dollars* into this program. For manufacturing customers this current EE&C Program cost has been as much as 36% of the bill from the electric distribution utility. As you are also aware Pennsylvania established the Alternative Energy Portfolio Standard (AEPS) which requires utilities and electric generation suppliers to increase renewable electric generation. So, the EE&C Program, the AEPS program and now potentially the RGGI program mean Pennsylvania utility customers would be burdened with the cost of three different programs to fund energy efficiency and renewable energy.

IECPA member companies, and all energy intensive large manufacturing companies in Pennsylvania, operate facilities with significant expenditures dedicated to electricity costs. In fact, the electricity costs can be up to 60% of the overall operating cost of certain facilities. Moreover, because these manufacturing businesses are exposed to global trade, they cannot merely pass additional costs on to their customers without risking the loss of those customers to their global competition.

According to the National Association of Manufacturers[1], manufacturers in Pennsylvania account for 11.89% of the total output in the state, employing 9.33% of the workforce. Total output from manufacturing was $93.75 billion in 2018. In addition, there were an average of 565,000 manufacturing employees in Pennsylvania in 2019, with an average annual compensation of $75,948 in 2018. I found the *2020 Pennsylvania Clean Energy Employment Report* released by Governor Wolf's administration interesting. It claims that clean energy is a leading creator of quality jobs in Pennsylvania. However, if you look closer at the report a large portion of these jobs are manufacturing jobs (21.4% as stated on pg 11 of report).

Energy intensive manufacturing cannot afford to pay for multiple energy efficiency and renewable energy programs! They have already invested in energy efficiency at their facilities in order to remain competitive and work with their electricity suppliers to source affordable renewable energy supply.

In addition, the DEP IPM modeling results indicate a reduction of over 230 million MWh of Pennsylvania based generation exports during the first 11 years (IECPA Exhibit 2). Using the Pennsylvania energy prices within the IPM modeling this would results in over $2 billion in lost electricity sales. A program like this which results in the loss of Pennsylvania

[1] https://www.nam.org/state-manufacturing-data/2020-pennsylvania-manufacturing-facts/

energy production and sales seems inconsistent with other efforts to grow Pennsylvania based energy production such as House Bill 732 which would create a new "local resource manufacturing tax credit" for companies that invest at least $400 million and create at least 800 construction and permanent jobs to build petrochemical or fertilizer plants that use dry natural gas produced in Pennsylvania.

In summary joining RGGI and incurring the increased cost associated with the initiative needs careful consideration. As we discussed in our prior written testimony, the data suggest that the carbon reduction goals sought by the Commonwealth can be achieved without the adoption of a carbon cap and trade program especially a regional framework like RGGI. Energy Intensive, trade exposed manufacturing companies located in Pennsylvania should not be exposed to increased electricity cost from yet another program like RGGI. Additionally, we should avoid programs that result in the lost sales to Pennsylvania based electric generators.

Thank you

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