



Pennsylvania Manufacturers' Association

Testimony

Pennsylvania Implementation of the United States
Environmental Protection Agency's Clean Power Plan

Presented to:

Pennsylvania Department of Environmental Protection

Presented by:

Carl A. Marrara

Vice President, Government Affairs

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909 Elmerton Avenue

Harrisburg, PA 17110

Good evening. My name is Carl Marrara and I am the Vice President of Government Affairs for the Pennsylvania Manufacturers' Association. Founded in 1909 by Bucks County industrialist Joseph Grundy, the Pennsylvania Manufacturers' Association (PMA) is the nonprofit, statewide trade organization representing the manufacturing sector in Pennsylvania's public policy process. PMA works to improve Pennsylvania's ability to compete with other states for investment, jobs, and economic growth.

Pennsylvania's Department of Environmental Protection should not rush to comply with the unconstitutional federal power grab being proposed by the United States Environmental Protection Agency's Clean Power Plan. The impacts of these regulations threaten Pennsylvania's business competitiveness. Additionally, top legal experts believe the plan will not survive judicial review, so it is reckless for Pennsylvania to accelerate compliance with regulations that have yet to be finalized. Premature compliance with these highly suspect regulations will result in massive economic pain for zero environmental gain.

Before we examine the constitutionality and policy implications of this disastrous proposal, let's first consider public perception as documented in a poll completed by FTI Consulting and commissioned by the National Association of Manufacturers. This poll was completed on August 16th and included calls to 600 registered voters in Pennsylvania. According to the poll, nearly two-in-three rate their local air quality as "excellent" or "good", while majorities in every region of the state rate their local air quality positively.¹ By a three-to-one margin, Pennsylvanians think that the biggest problem for their local area is "less economic growth and job opportunities caused by regulations."² When asked about the effects of implementing stricter federal air quality regulations on their local area, the majority are concerned about the negative economic effects given that 76 percent believe stricter federal air quality regulations would result in higher taxes;³ 67 percent believe local businesses would have a harder time starting new or growing existing operations;⁴ and most importantly, 75 percent believe stricter regulations would increase the price they pay for everyday goods and services.⁵

Our second-highest corporate net income tax, capital stock and franchise tax, and other business tax policies do not make us a competitive business location. However our affordable energy and reliable infrastructure have put Pennsylvania back on the map of business selection surveys. Maintaining diverse sources of energy are vital, as any spike in

¹ "Voters Polled on Air Quality: Majority of Pennsylvania Voters Oppose Additional Air Quality Regulations." National Association of Manufacturers. September 2, 2015. Accessed September 10, 2015.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

prices or depression in reliability can literally cease production. Not only does Pennsylvania supply PJM Interconnection with more electricity than any other state, it has the lowest rates in the mid-Atlantic and New England.⁶ In June 2015, commercial electric rates in Pennsylvania were 9.65 cents per kilowatt-hour with the states in the Regional Greenhouse Gas Initiative averaging 13.8 cents per kilowatt-hour.⁷ Forecasting electric rates is vital in determining a company's overhead costs and consequently product pricing. By forcing coal out of the equation we are removing that certainty and putting these industry's bottom lines at risk. Volatile energy prices fail manufacturers and this will directly threaten Pennsylvania's business competitiveness.

Wind and solar sources are simply not a viable option for replacing the current electric make-up while maintaining our status as a competitive, exporting state. Not only are these sources unstable and more expensive, they cannot compete with other sources without heavy incentives and taxpayer funded subsidies. Taxpayers will then be hit three times in this scenario. The taxpayer is funding the artificial inclusion of renewable energy sources into the electric market through taxes, increasing their electric bills, and paying more for goods and services from Pennsylvania's businesses as all costs will be inflated.

Bear in mind that manufacturing is an industry that supports 567,000 jobs⁸ on the plant floor and sustains millions of additional jobs through supply chains and distribution networks in our Commonwealth. Manufacturing in Pennsylvania also accounts for \$77.37 billion in gross state product, more than twelve percent of our Commonwealth's total gross state product.⁹ Manufacturing exports are on the rise here in Pennsylvania, up more than 50 percent in the past decade at \$36.59 billion in 2014.¹⁰ This is an industry that ought to be uplifted, not disproportionately thwarted by unnecessary bureaucracy.

Several of our global competitors control electric and natural gas prices to their industrial manufacturers. They provide outlandish subsidies and practices to give them unfair competitive advantages. While President Obama foolishly hopes that countries will follow him off the economic cliff that is the EPA's Clean Power Plan, China is investing in their coal fleet. Our manufacturing base will be forced to relocate overseas where the production and generation of electricity is far less environmentally friendly, but much more inexpensive. Adding insult to injury, we will then be forced to buy goods produced with higher carbon emitting practices and made with jobs that should have remained on our shores.

⁶ Melia, James. "Carbon Pollution Emission Guidelines For Existing Stationary Sources Electric Utility Generating Units." Lecture, Testimony Before the United States Environmental Protection Agency, Washington, DC, December 1, 2014.

⁷ Ibid.

⁸ "PA Monthly WorkStats (July 2015)." Pennsylvania Department of Labor. August 1, 2015. Accessed September 14, 2015.

⁹ "Pennsylvania Manufacturing Facts." National Association of Manufacturers. February 1, 2015. Accessed September 14, 2015.

¹⁰ Ibid.

These proposed regulations seem to be a part of an attack by the Environmental Protection Agency on the productive sector in our Commonwealth and across America. Recent and outrageously unattainable ozone level reductions would, according to URS models, drastically impact Pennsylvania's industrial sector. We would lose: \$98 billion in gross state product;¹¹ 101,182 job or job equivalent losses;¹² \$109 billion in private sector compliance costs;¹³ \$1,420 decrease in average household consumption per year.¹⁴ The point is that the Clean Power Plan does not happen in a vacuum. When the Clean Power Plan and ozone reductions proposals are combined with over-reaching mercury rules, the Waters of the United States power-grab, and new methane standards then we as consumers, job creators, and drivers of the productive sector will pay much, much more. This is money that cannot then be reinvested in hiring, increased wages, benefits, or plant expansions. Even government will pay more, in compliance and energy costs, on the backs of the taxpayers – the same people who will already have to do more with less.

Congress and many state legislatures are working to prevent the economic fallout from the proposed "Clean Power Plan". The U.S. Senate Environment and Public Works Committee approved the ARENA Act, rolling-back the Clean Power Plan by preventing mandates for unproven technology. Before the EPA can set a technology-based standard for new power plants, the standard must first be achieved for at least one year at six separate power facilities throughout the country.¹⁵ The bill also prevents the EPA from using any demonstration projects – projects that are reliant on federal support – from being used to set the standard. Additionally, in the regulations, the EPA calls for a reduction in the usage of energy. The rule is curbing the growth of our industry and economy. Legal challengers are convinced the new regulations unjustly control the demand side of the industry; something that is outside of the realm of the Clean Air Act which allows only for the targeting of sources.¹⁶

However, even if the legal challenges fail, the question remains: what are the environmental benefits? Using MAGICC/SCENGEN's computer model, the same models as the EPA, the American Enterprise Institute found that the results fall drastically short. In applying the model they chose not just to include the Clean Power Plan, but also to the broader climate action plan which envisions a 17 percent reduction

¹¹ "What Could New Ozone Regulations Cost Pennsylvania?" National Association of Manufacturers. August 15, 2015. Accessed September 10, 2015.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Zycher, Benjamin. "President Obama's Clean Power Plan: All Cost, No Benefit." American Enterprise Institute. August 3, 2015. Accessed September 10, 2015.

¹⁶ "Attorney General Patrick Morrisey Leads 15-State Coalition Asking Court to Stay EPA's Clean Power Plan Deadlines." West Virginia State Attorney General's Office. August 13, 2015. Accessed September 10, 2015.

in U.S. greenhouse gas emissions below 2005 levels by 2020.¹⁷ The estimated temperature reduction in the year 2100 is fifteen one-thousandths of a degree.¹⁸ If we include the fragile agreement between the U.S. and China, which was disavowed by China immediately after its release, we might assume an additional 10 percent reduction by the U.S. by 2025.¹⁹ This might achieve another one one-hundredth of a degree, for a total of twenty-five one-thousandths of a degree change.²⁰ The effect would be too small to even be measured, let alone to affect sea levels, weather patterns, and other perceivable impacts.²¹

The fact is that the air today is cleaner than it's been in measurable history. According to the EPA's own publications, in using current standards air quality continues to improve as emissions have continuously declined in all major measurable categories since catalogued in the 1980's.²² The manufacturing sector takes pride in continuing to advance technological limits to produce goods in a safer, cleaner, and more environmentally friendly manner. We will continue to do so but setting standards that threaten the very livelihood of our industry is not the answer. Manufacturers need reliable, affordable energy, especially in Pennsylvania where it's the strongest business competitiveness factor in our favor.

Manufacturers are committed to being responsible stewards of our environment, but we are disappointed that the Obama Administration has chosen this path and we are even more disappointed that Governor Wolf has publically expressed his support of these burdensome, untimely, and seemingly unconstitutional regulations.

¹⁷ Zycher, Benjamin. "President Obama's Clean Power Plan: All Cost, No Benefit." American Enterprise Institute. August 3, 2015. Accessed September 10, 2015.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² "What Are the Six Common Air Pollutants?" United States Environmental Protection Agency. Accessed September 10, 2015.