



American Forest & Paper Association

April 26, 2019

House Consumer Affairs Committee
Pennsylvania State House
Harrisburg, PA 17120-3029

Re: AF&PA Opposition to House Bill 11/Senate Bill 510

Dear Representative Roae, Representative Matzie, and Members of the Committee:

On behalf of the American Forest and Paper Association (AF&PA), I appreciate the opportunity to provide our views on House Bill 11/Senate Bill 510.

The forest products industry has a significant presence in Pennsylvania, with almost 54,000 employees and an annual payroll of almost \$3 billion. There are over 260 forest products manufacturing facilities in the state, contributing approximately \$190 million in taxes to the state and their local communities. Many of those facilities are the lifeblood of their communities, providing higher than average wages, indirect benefits to vendors and local institutions. Indeed, a study conducted by the Economic Policy Institute found that each paper industry job supports 3.25 jobs in supplier industries and in local communities as the result of re-spending and tax receipts. Nationally, paper industry employee earnings averaged \$66,900 in 2016, which was 24 percent above the national average earnings of all non-farm private sector employees, and we would expect a similar story in Pennsylvania, as well. We seek a level playing field to continue doing business in the state.

AF&PA serves to advance a sustainable U.S. pulp, paper, packaging, tissue, and wood products manufacturing industry through fact-based public policy and marketplace advocacy. AF&PA member companies make products essential for everyday life from renewable and recyclable resources and are committed to continuous improvement through the industry's sustainability initiative - [Better Practices, Better Planet 2020](#). The forest products industry accounts for approximately four percent of the total U.S. manufacturing GDP, manufactures nearly \$300 billion in products annually and employs approximately 950,000 men and women. The industry meets a payroll of approximately \$55 billion annually and is among the top 10 manufacturing sector employers in 45 states.

AF&PA's sustainability initiative - *Better Practices, Better Planet 2020* - comprises one of the most extensive quantifiable sets of sustainability goals for a U.S. manufacturing industry and is the latest example of our members' proactive commitment to the long-term success of our industry, our communities and our environment. We have long been responsible stewards of our planet's resources. We are proud to report that our

members have already achieved the greenhouse gas reduction and workplace safety goals. Our member companies have also collectively made significant progress in each of the following goals: increasing paper recovery for recycling; improving energy efficiency; promoting sustainable forestry practices; and reducing water use.

Adverse Impacts on Competitiveness

In contrast to the utilities that would be the beneficiaries of the bill, AF&PA member facilities manufacture a wide variety of value-added forest products, such as paper, packaging, wood products, wood-based chemicals, and other innovative wood-based products. Because they operate in a highly competitive global market and face fierce international competition, they cannot automatically pass on higher raw material and energy costs to their customers and remain competitive. Energy is our third highest manufacturing cost, and any increases in those costs such as those expected from the bill (see below), will reduce our budgets and resources that otherwise could be used for maintaining our employee complement or new employees, community support and potential capital investment in Pennsylvania.

Generation Diversity Will Decrease if Nuclear Plants Are Given Subsidies or Guaranteed Market Shares

Manufacturers such as AF&PA members in Pennsylvania, not only require affordable energy, but they need reliable energy as well. Many run around the clock and shutting down due to a curtailment or blackout imposes huge costs. Ensuring a balanced market of diverse energy sources helps decrease the likelihood of such events occurring.

The Pennsylvania electric generation market is currently balanced among nuclear, natural gas, coal and renewable resources. However, HB 11/ SB 510 would increase the Alternative Energy Portfolio Standard (AEPS) requirements to 68 percent of the generation market, leaving coal, natural gas and emerging technologies to fight over the remaining market share of 32 percent. This overweighting of nuclear in the Pennsylvania market significantly decreases diversity, raising reliability concerns.

PJM Already Is Considering Proposals that Will Raise Revenues for Nuclear Generators and Costs for Consumers¹

The regional transmission organization (PJM) already is pursuing changes to its energy and capacity market rules that will provide nuclear generation owners with more revenues. Those changes could increase Pennsylvanian's energy costs by over 10 percent, and are separate from, and in addition to, the subsidies provided by the bill. Pennsylvania's pursuit of a state "solution" will needlessly increase the energy costs for consumers by an additional 5-15 percent. Thus, consumers face combined increases of 15-25 percent.

¹ This and other information in our comments is drawn from analysis undertaken by the Pennsylvania Energy Consumer Alliance and provided on their website: <https://www.paenergyconsumers.com/>.

The expected substantial cost increases for manufacturing will put jobs at risk for business and industry in Pennsylvania.

The bills would increase costs by 0.3 to 0.4 cents per kWh. For manufacturers, including AF&PA members in Pennsylvania, this means hundreds of thousands of dollars of additional energy costs each year, and in some instances billions of dollars in additional costs. Increasing energy costs for Pennsylvania businesses places jobs, capital investments and community giving at risk, especially for AF&PA members in Pennsylvania for whom energy is already a very significant cost. Energy consuming businesses have the same beneficial impacts on local communities and employees that the nuclear generation plants have on their communities and employees. Legislators should not pick one set of employees over another.

Thank you for the opportunity to comment on the HB 11\ SB 510 and for your consideration on this important matter. We encourage the legislature to avoid measures that penalize Pennsylvania industries for doing business in the state. As always, we stand ready to assist you and offer our expertise as you shape policy on this important issue. If you have any questions, please contact Jerry_Schwartz@afandpa.org or Abigail_Sztein@afandpa.org.

Sincerely,



Elizabeth Bartheld
Vice President, Government Affairs

Cc: House Leadership
House Representatives of AF&PA Members
Office of the Governor