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HOUSE OF REPRESENTATIVES

ENVIRONMENTAL RESOURCES & ENERGY COMMITTEE
PUBLIC HEARING

STATE CAPITOL
HARRISBURG, PA

RYAN OFFICE BUILDING
ROOM 205

WEDNESDAY, FEBRUARY 5, 2020
9:01 A.M.

PRESENTATION ON
REGIONAL GREENHOUSE GAS INITIATIVE (RGGI)
AND HB 2025 (STRUZZI) CARBON TAX

BEFORE:
HONORABLE DARYL D. METCALFE, MAJORITY CHAIRMAN
HONORABLE MARTIN T. CAUSER
HONORABLE CRIS DUSH
HONORABLE JONATHAN FRITZ
HONORABLE RYAN E. MACKENZIE
HONORABLE TIMOTHY J. O'NEAL
HONORABLE JASON ORTITAY
HONORABLE KATHY L. RAPP
HONORABLE TOMMY SANKEY
HONORABLE PAUL SCHEMEL
HONORABLE RYAN WARNER
HONORABLE DAVID H. ZIMMERMAN

* * * * *

***Debra B. Miller***
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BEFORE (continued):

HONORABLE GREG VITALI, DEMOCRATIC CHAIRMAN
HONORABLE CAROLYN T. COMITTA
HONORABLE MARY JO DALEY
HONORABLE ELIZABETH FIEDLER
HONORABLE MARYLOUISE ISAACSON
HONORABLE LEANNE KRUEGER
HONORABLE DANIELLE FRIEL OTTEN
HONORABLE PAM SNYDER
HONORABLE PERRY S. WARREN
HONORABLE MIKE ZABEL

ALSO IN ATTENDANCE:

HONORABLE JAMES B. STRUZZI II

COMMITTEE STAFF PRESENT:

GLENDON KING
MAJORITY EXECUTIVE DIRECTOR
GRIFFIN CARUSO
MAJORITY RESEARCH ANALYST
ALEX SLOAD
MAJORITY RESEARCH ANALYST
PAM NEUGARD
MAJORITY ADMINISTRATIVE ASSISTANT

RICHARD FOX
DEMOCRATIC EXECUTIVE DIRECTOR

# I N D E X

## TESTIFIERS

* * *

TESTIFIERS (continued):



SUBMITTED WRITTEN TESTIMONY

* * *

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P R O C E E D I N G S

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MAJORITY CHAIRMAN METCALFE: Hello, everyone. This meeting of the House Environmental Resources & Energy Committee is called to order. Good morning.

If everybody could please rise, and before we start, we'll ask Representative Sankey to lead us in the Pledge, please.

(The Pledge of Allegiance was recited.)

MAJORITY CHAIRMAN METCALFE: Thank you, Representative Sankey.

Before we get started, if I could ask our Member-Secretary, Representative Dush, to call the roll, please, for our hearing this morning.

(Roll call was taken.)

REPRESENTATIVE DUSH: We have a quorum, Mr. Chairman.

MAJORITY CHAIRMAN METCALFE: Thank you, Representative Dush.

This morning's public hearing is on the Regional Greenhouse Gas Initiative and especially related to House Bill 2025, authored and introduced by Representative Jim Struzzi. And he is with us this morning, and we would welcome Representative Struzzi to make a few comments about the introduction of his bill, and then he would be invited to take a seat behind the table and join the Committee as we consider the testimony this morning.

REPRESENTATIVE STRUZZI: All right.

Thank you, Mr. Chairman, and good morning to all the Members of the ERE Committee.

I'm honored to be here today to discuss House Bill 2025. This bill was written in direct response to the Governor's announcement in October of last year to enter into the Regional Greenhouse Gas Initiative.

Essentially by doing that, the Governor circumvented the legislative process. My bill, which is a bipartisan bill coauthored with Representative Snyder and Representative Oberlander, basically says that before any attempt to enter into RGGI is undertaken, it needs to go through the Legislature first.

That essentially is what the bill does. It outlines the process for doing that. I am not going to talk about the pros and cons of entering RGGI. I know that there are plenty of people on the agenda today who will do that. I have said in previous testimony where I stand on

RGGI, and I'm trying very hard to not allow my emotions or my bias into this because we're talking about the bill today.

I represent Indiana County. We have two of the largest coal-fired electric generation stations in Pennsylvania. I represent hardworking Pennsylvanians who will suffer dearly if RGGI is implemented. But I'm not going to talk about that today. I am talking about this bill, and I know that there are plenty of people behind me who will talk for or against RGGI's implementation.

But on its merits, the bill simply says that any attempt to enter into the Regional Greenhouse Gas Initiative must go through the Legislature first. That is the bill itself, House Bill 2025.

So I thank you for the opportunity to speak today. I look forward to hearing the testimony, and I will answer any questions that you have.

Thank you.

MAJORITY CHAIRMAN METCALFE: Thank you, Representative Struzzi.

We won't be asking you any questions today, but you're welcome to join us and take a seat. We'll bring up our first testifier. But thank you for joining us today.

REPRESENTATIVE STRUZZI: Thank you very much.

MAJORITY CHAIRMAN METCALFE: Our first presenter today, testifier today, will be Mr. David T. Stevenson, Director for the Center for Energy & Environmental Policy, the Caesar Rodney Institute. Thank you for joining us, sir. Thanks for making the trip up from Delaware. We appreciate it.

And today's schedule is packed during this hearing, with a lot of folks that will be presenting to the Committee, testifying to the Committee. So we expect that we'll have some time for Q and A. We'll be taking a lot of information today. If there's time for Q and A, then of course that Q and A will be very limited.

So if a Member wants to ask a question and they don't get time to, we'll have you on the list for the next round of questions with the next testifier as we have time today. But we're going to try and get in as much information as possible to the Committee before session at 11 today.

So with that, sir, you can begin. Thank you for joining us.

MR. STEVENSON: Yes. Thank you for inviting me, Mr. Chairman and honored Committee Members. I'm really happy to be here.

You should be asking yourself, why is this guy here? He's an economist and a policy analyst from Delaware. What the heck am I doing here?

Well, Caesar Rodney Institute is a sister organization to the Commonwealth Foundation, which does just a great job in Pennsylvania, but they are not an expert on RGGI. I have been -- Delaware is a RGGI State. I have been studying RGGI for the last 9 years, so I have got a little background on that.

There have been five studies done on the decade-old RGGI program. Only two of them have tried to parse out what RGGI did compared to, for example, what low-cost natural gas did by switching power plants from coal to natural gas, EPA regulations that closed 23 percent of the coal-burning plants in the country, and Renewable Portfolio Standards that had us building more wind and solar power.

Of the two studies, one was the Congressional Research Center, which is the research arm of the U.S. Congress, and the other was my peer-reviewed study published last year in the Cato Journal. By the way, peer review is quite the lengthy process.

Both of those studies, the Congressional Research study and my study, both came to the same conclusion, and it was an unexpected result, is that RGGI has added nothing to the reduction of carbon dioxide in the nine RGGI States that continued in that program for the entire time. New Jersey was in and dropped out. So again, it has contributed nothing.

I will get into the testimony. I did want to say a good friend of mine, Delaware State Senator Minority Leader Gerald Hocker, was the Energy Commission Chairman in 2007 when Delaware got into RGGI, and I asked him why they voted for it, and his answer was, there was not a single person that testified against it at that time. So I'm glad to say that in Pennsylvania today, that's not going to happen.

So what is RGGI? RGGI is now 10 Northeast States, again, that have joined together to require power plants to purchase allowances to emit each ton of carbon dioxide. It started out with a 10-percent reduction target, it was raised in 2013 to a 53-percent reduction target, and in 2019 to a 65-percent reduction target. The allowances have to be turned in by the electric generators to prove they have bought them.

The ultimate goal is zero emissions, by the way. Don't think you're just doing 30 percent, which is the target that has been suggested for Pennsylvania.

A key factor and very relevant to the bill you are considering today is, all 10 of those States not only passed it legislatively but passed it, if there was a requirement, for example, Delaware, because it was a revenue bill, needed a three-fifths majority. And every

State that joined RGGI did this legislatively, and if they needed enough for revenue, they passed it by a revenue majority. And what you are doing here today is exactly right.

Did RGGI work? I have already told you no. One of the things we looked at was how the RGGI States changed from coal production to natural gas production compared to non-RGGI States. Now, you have to be careful when you're comparing. A lot of things have changed, so we had deregulation of supply. We had the Renewable Portfolio Standards. We had the shale gas revolution. You have to be careful when you're comparing States.

So what I did, I compared five States that deregulated that had an RPS standard but did not have RGGI so that you can compare apples to apples. And in comparing that, both sets of States wound up reducing coal generation by 16 percent and increasing natural gas production by about 10 percent. As you know, natural gas has about half the emissions of coal.

So I think it's helpful for you to think about what Pennsylvania has already done about carbon dioxide reduction. First of all, and this is using the U.S. Energy Information data. Per capita, emissions from Pennsylvania electric power plants dropped 40 percent from 2005 levels and so did the RGGI States, exactly the same result. On a per capita basis, a 40-percent reduction in electric generation.

In total generation, Pennsylvania has dropped 72 million tons since 2005 to 2018. That’s a 25-percent reduction. The U.S. total went down 14 percent. The rest of the developed world only dropped 5 percent, and the developing world has gone up at least 45 percent.

I know the Governor joined the Climate Alliance and has a target of a 26-percent reduction by 2025. The 2019 data is not out, but based on the trends, you probably met that goal in 2019.

Additionally, in Pennsylvania, natural gas production rose 6 trillion cubic feet, and of course it got sold all over the country, but in doing that, it reduced carbon dioxide emissions nationally by 308 million tons. To put that in perspective, Pennsylvania’s current emissions are about 215 million tons.

Additionally, half the State is forest. That’s absorbing anywhere from 15 to 38 million tons just from the fact that you are so heavily forested. Pennsylvania doesn’t owe anybody an apology about the carbon dioxide they are emitting at this point. They have done more for this country to reduce carbon dioxide than any other State. Thank you for that.

So what is RGGI going to cost if you get into it, and this is using RGGI's own forecast of where the allowance cost is going. You are probably looking at a billion dollars a year in allowance costs. It will grow over the years, but the average over the next 10 years will be about a billion dollars a year.

In addition, if RGGI works and you reduce coal production, you're going to wind up losing about 400 million dollars' worth of coal production that will just shut down. A quarter of the coal production will go away.

In addition, Pennsylvania is exporting -- you produce 2 ¼ times more electricity than you need, so you export it. You would lose half a billion dollars a year in electric sales to other States, which primarily are all these RGGI States that aren't generating enough power anymore.

In addition to that, when you have electric price increases, and I'm projecting that the price will increase about 7 percent because of RGGI, you lose energy-intensive businesses. Delaware has lost almost half of its energy-intensive businesses.

That loss, and if it follows in Pennsylvania, would be $3 ½ billion a year. Add all that up, you're looking at $5 ½ billion a year of economic impact, and if you divide that by the number of households in the State, it's $1,150 per household. If you go to zero emissions, by the way, that 5 ½ billion, add another 10 ½ billion to that.

So one question always is, did RGGI increase energy efficiency, because they were supposed to spend the revenue mainly on energy efficiency projects. First of all, RGGI itself says they only spent 27 percent of the revenue on energy efficiency. Secondly, it's a problem verifying energy efficiency programs. They are usually run by utilities overseen by the government, and they wind up taking what I would call the easy path, but they do no verification.

So, for example, one of the best ways to reduce, to get energy efficiency is you put LED lightbulbs in. So when they were 10 bucks apiece and you got a coupon, that was worthwhile. Today, they are 2 bucks apiece, but the energy efficiency programs are still trying to give coupons for LED lightbulbs. The payback is 3 months on buying an LED versus a halogen. Go to Walmart: All the halogen bulbs are on the bottom shelf and you got three shelves of LEDs. You don't need any more of that, but that's where the money is still going.

The second thing was refrigerators. Refrigerators are one of the most energy-saving devices you can buy. But a lot of programs give coupons for that, for buying -- and what happens is, people go in and they buy a more expensive refrigerator. They buy a bigger one; they buy them with extra features, and all of that actually winds up using more electricity than if they hadn't given anybody the coupons.

So the real measure of how this is going, we looked at the comparison States versus RGGI. There's a factor called energy intensity, which measures the entire State, and the RGGI States were improved by 9.6 percent, but the non-RGGI States did 11.5 percent.

Another question is, did electricity prices rise more slowly in RGGI States? There is one study that says they did. But if you look at the actual comparison States versus RGGI, RGGI States went up 4.6 percent in price over the 2007 to 2015 period, non-RGGI States only went up about half of that amount.

Because of time, maybe some things will come up in the question and answer. I won't go too much further here.

So the other big question is, did economies grow faster in RGGI States from the investment of RGGI funds, and the first thing I would do is caution you to believe that RGGI had any impact on GDP. The allowances only amounted to one-tenth of 1 percent of GDP. It's just not going to have that big of an effect. But if you look at the comparison States, comparison States grew by 17.2 percent; RGGI States grew by 7.2 percent over that period of tests. One of the big factors is that goods production in the RGGI States dropped 12 percent while they grew by 20 percent in the comparison States.

So just to sum up, if you want to spend $5 ½ billion a year, 1,150 per household, with no significant reduction in emissions, by all means, join RGGI, but I don't see this as being a good idea for Pennsylvania. And I think, you know, Virginia's Governor also wants to try to do RGGI without a legislative support, and that is absolutely the wrong direction to go.

Thank you. I'm happy to answer questions.

MAJORITY CHAIRMAN METCALFE: Thank you, sir.

Members, any questions?

Representative Vitali.

MINORITY CHAIRMAN VITALI: Yeah. Thank you.

This is kind of a two-part question. I'm going to first read you a statement. I want to know if you agree with it or not. This is from the President of Exelon, Chris Crane:

"...time is running out to return to a safe and stable global climate. The world's top scientists give us a vanishingly short..." amount "of time to right the ship before climate change pushes Earth past its ecological tipping point. While the debate drags on in Washington, D.C., make no mistake: our planet has already measurably warmed.”

And the other thing, the statement I want to make and then ask you to respond is, the Intergovernmental Panel on Climate Change tells us we need to be carbon neutral by midcentury to avoid the worst effects of climate change, and clearly, you can’t be carbon neutral with natural gas.

So my question to you is this: First of all, do you agree with those statements and in effect acknowledge the severity of climate change, and if the answer to that question is yes, what proposals have you already put forth to get us to carbon neutrality by 2050?

MR. STEVENSON: A fair question.

First of all, let me say that we are charged as humankind to be good stewards of the earth, and reducing carbon dioxide is part of that charge, in my belief. Anything we can do to reduce it is key.

There are, the first problem with that statement by the Chairman, or by the President, was that this is a crisis situation and that the best scientists in the world happen to say it’s a crisis. There are very, very good scientists on both sides of the equation. The best data, global data, is from satellite data, which shows temperatures have gone up about 1 degree centigrade so far. It looks to be on track to go to 1 ½ degrees if we double $CO_2$.

So it is a certainty that $CO_2$ is rising in the atmosphere. We have gone from about 250 parts per billion to 410, and we are going to continue to rise. That's a certainty. Temperature rising is a high probability that it's connected with that carbon dioxide, although not a certainty. The fact that actual temperatures have not risen compared to the models that the UN IPC uses, those models are just clearly wrong. They are poorly done and they're wrong.

This is not a crisis situation. We have the ability to adapt, and we have the ability, best of all, to use things that actually work. One of those things that actually works is switching from coal to natural gas, which the Energy Information agency just came out with their 2050 forecast, and they see a continuing switch from natural gas, from coal to natural gas, which is good for Pennsylvania overall.

So, yeah. So I agree with you that it's an issue. I do not agree that it's a crisis. We could have that discussion for a couple of hours, if you'd like, but that's the short answer.

MAJORITY CHAIRMAN METCALFE: Other questions?

Representative Daley.

REPRESENTATIVE DALEY: Thank you, Mr. Chairman.

Mr. Stevenson, thank you for being here today.

I'm expecting a pretty short answer to this question, because I'm just going to ask if you could provide this Committee with where the Institute gets most of its funding and who is on your Board of Directors.

MR. STEVENSON: We get most of our---

REPRESENTATIVE DALEY: And it would be probably better if you could provide that to us by sending it in to the Chairman and he would then distribute it, or both of the Chairs.

MR. STEVENSON: We are a 501(c)(3). We do not give out our donor information. I would be happy to give you some general comments about our donors.

We are frequently accused of taking money from the Koch Foundation. I can assure you I would happily take a check from the Koch Foundation. They have never offered one.

I have lost donors because I follow the data to the truth. Donors do not influence my research.

REPRESENTATIVE DALEY: But you can provide us with your records?

MR. STEVENSON: No; no. We do not, we do not release.

If you recall, back in the 1950s, the State of Alabama tried to get the NAACP's donors so that they could abuse them, and the Supreme Court said that 501(c)(3)s do not have to provide that information. We do not. We maintain donor privacy. We get most of our donations from about 650 people in Delaware.

REPRESENTATIVE DALEY: And is that available on your---

MAJORITY CHAIRMAN METCALFE: We only have time for one question.

MR. STEVENSON: We don't release it, and I won't release it.

MAJORITY CHAIRMAN METCALFE: Thank you.

So, Mr. Stevenson, as we have been talking about RGGI, and we have had the Secretary in talking to us about RGGI, what's your response to those who claim that RGGI States have reduced emissions at a greater rate than non-RGGI States?

MR. STEVENSON: Actually, RGGI, Inc., doesn't make that claim. The only research paper that has been done on that is the Acadia Center study. The Acadia Center study is very poorly done. I wrote two pages of a critique on that. They missed it by a mile.

But one of the biggest reasons they did that, what they said is, on a percentage basis, the RGGI States reduced emissions more than other States, and that's a true statement, but it's misleading.

If you reduce a million pounds of carbon dioxide and you only started with 2 million pounds, you have reduced 50 percent. And for historical reasons, the RGGI States had a low amount of coal transmission compared to the rest of the country. If you have 4 million tons of emissions to start and you reduce by a million tons, you have only reduced it 25 percent.

So using percentages is misleading. You want to use the actual tonnage numbers, and when you do that, the RGGI and non-RGGI States had the same level of emissions reductions.

MAJORITY CHAIRMAN METCALFE: Thank you very much. Thanks for joining us today.

MR. STEVENSON: Thank you.

MAJORITY CHAIRMAN METCALFE: We have a panel of individuals that will be presenting next.

We have Mr. Sean Lane, Representative of Chief Power, LLC; Mr. Vince Brisini, Director of Environmental Affairs, Olympus Power, LLC; Mr. Paul Cameron, Business Manager, International Brotherhood of Electrical Workers 459; Mr. Shawn Steffee, Executive Board Trustee/Business Agent, Boilermakers Local 154; Mr. Donald Arena, President of the South Central Pennsylvania Building Trades Council.

And thank you, sir, for bringing your chair back up. We had chairs there and they got moved around, so thanks for taking that initiative. We appreciate it. I was just going to direct somebody to do that for you. I appreciate it.

MR. STEFFEE: Sir, before we get started, I would just like to, both the majority and minority, here's both my sources and all that information.

MAJORITY CHAIRMAN METCALFE: Thank you. Thank you.

Thank you. Thank you, Representative.

So whoever would like to start.

MR. BRISINI: I'll start.

I'm Vince Brisini. I'm the Director of Environmental Affairs for Olympus Power. I would like to thank the Chairman and the Committee for allowing me to provide testimony today.

There is a slide deck, a blue slide deck, and you can follow along with my presentation today, my testimony, as I process it.

So if we go past the cover page, succinctly, RGGI is a program that imposes artificial costs upon carbon dioxide emissions from electric generating units to price certain generation out of the wholesale markets.

The next slide.

While there are a number of other cap-and-trade programs, RGGI is very different than those programs. A big difference is that the vast majority of affected sources are required to buy allowances in an auction. And unlike sulfur dioxide and nitrogen oxides, the pollutants typically regulated by cap-and-trade programs, there aren't commercially available technologies to capture and store or otherwise manage carbon dioxide. The significant control of carbon dioxide can only be achieved by fuel switching, reduced utilization, or retirement.

RGGI is designed to increase the price of electricity from the affected units, while the other cap-and-trade programs were designed to control the cost of the emissions reductions and the price of electricity.

Next slide.

Coal-fired and certain fuels switched in older natural gas-fired generation will be artificially challenged to remain economically viable in the PJM market. In the case of the coal-fired plants, they will be retired as quickly as PJM provides approval.

The next slide.

Most RGGI States and Pennsylvania's generators have reduced carbon dioxide emissions. Without participation in RGGI, Pennsylvania's carbon dioxide emissions have been reduced by 33.2 percent from 2005 emissions while at the same time maintaining its position as the number-one exporter of electricity in the nation. That 33.2 percent reduction surpasses the target set by Governor Wolf, the Paris Accord, and even the vacated Clean Power Plan well ahead of their respective schedules.

We know how these carbon dioxide reduction -- the next slide. We know how these carbon dioxide reductions have occurred in Pennsylvania. The reductions are due to the retirement of coal and coal refuse-fired generation and replacement by natural gas-fired generation.

Next slide.

We also know that most of the RGGI States now import more electric power on a percentage basis than they did prior to participation in RGGI. And those RGGI participating States that aren't importing more electricity in 2018 have carbon dioxide emissions that have either increased above 2005 levels or they had a reduction that is far less on a percentage basis than the reduction achieved in Pennsylvania without Pennsylvania participation in RGGI.

Next slide.

Pennsylvania isn't an island in PJM. Consequently, we really don't know if Pennsylvania's participation in RGGI will result in any regional carbon dioxide reductions. That's because the lost Pennsylvania generation will be replaced by generation in other PJM States not participating in RGGI, and those generating plants could be coal or coal refuse-fired or natural gas-fired.

We also know that the Pennsylvania -- next slide. We also know that the Pennsylvania lost generation won't be replaced by renewables. Using land-based wind turbines for analysis purposes because it's the most cost-effective renewable electric generation, it would take about 3,300 wind turbines to replace the generation lost due to RGGI participation. To put that number into context, there are currently about 600 to 700 existing turbines in Pennsylvania.

The failure of RGGI to achieve mass installation of renewable electric generation is demonstrated by the continuing legislative efforts by the RGGI States to force more renewable generating sources. RGGI simply doesn't provide that outcome.

Slide 11.

If the lost Pennsylvania generation is replaced entirely by natural gas-fired generation, the maximum tonnage of carbon dioxide reduction that would occur would be about 19.8 million tons. That represents 1 percent of the annual carbon dioxide emitted by the electric generators in the United States.

For perspective -- slide 12. For perspective, coal and coal refuse-fired electric generation in the United States together represent only 12 ½ percent of the global coal-fired electric generating facilities. If all of the Pennsylvania coal-fired generation loss due to participation in RGGI would be replaced entirely by natural gas-fired generation located in Pennsylvania and all of the existing Pennsylvania natural gas-fired generation were to operate at the same level as occurred in 2018, then the maximum amount of annual RGGI tax revenue for Pennsylvania would be $267 million. However, remember, RGGI States generate less electricity, which means a more realistic projection for Pennsylvania RGGI tax revenue is about $175 to $200 million annually.

While there have been some reductions in the average price of electricity in the RGGI States, there are mostly increases to the residential prices of electricity. Delaware and Maryland are the only RGGI participating States with reductions in the residential price of electricity as well as the average price of electricity, and both are in the PJM territory and both have increased the amount of electricity they import, primarily from Pennsylvania.

So skip a slide, if you’re going along. I had one accidentally in there. So we go to slide 15.

So we know that Pennsylvania joining RGGI will force the early retirement of the coal-fired electric generating units in Pennsylvania. We know that it won't cause a shift to renewable electric generation in Pennsylvania. We know it will reduce the amount of electricity generated and exported by Pennsylvania generators. We know that it will result in lost Pennsylvania coal-fired electric generation being replaced by electric generation from other non-RGGI PJM States. We know that the lost Pennsylvania coal-fired generation would be replaced by natural gas or other coal or coal refuse units either inside or outside of Pennsylvania. We know that this will result in companies moving the development of new natural gas-fired generating units to other non-RGGI PJM States. And, joining RGGI will not result in CO2 emissions reductions that will affect local, regional, or global climate. And, RGGI will only generate about $175 to $200 million a year.

Thank you for allowing me to provide this testimony today.

MAJORITY CHAIRMAN METCALFE: Thank you, sir.

We have Mr. Lane next, I believe.

MR. LANE: Yeah.

Thank you, Mr. Chairman and Members of the Committee.

My name is Sean Lane. I am speaking here this morning on behalf of Chief Power, and we're one of the investors in the Keystone and Conemaugh projects.

Why are we here? I do have slides, by the way, the green slides, if you wanted to follow along.

Why are we here? Is it due to a legislative mandate, a carbon imperative, or just chasing tax dollars? I would posit that none of these are sufficient reasons for Pennsylvania to adopt RGGI.

The initiative released by AQTAC to the DEP is regulatory in nature but without any really firm legislative authority.

As to carbon emissions, Pennsylvania has already outperformed all of the carbon metrics set for Pennsylvania generation by President Obama's Clean Power Plan, by the Paris Accords, and even Governor Wolf's own previously established carbon goals. In fact, there is good reason, as Mr. Brisini noted, to believe that carbon emissions and other pollutants could even increase in the region if Pennsylvania adopts RGGI, because our electricity generation capacity will simply be replaced within PJM by States such as Ohio and West Virginia.

Finally, we believe that RGGI supporters' tax revenue estimates fail to embrace the inevitable plant closures and are therefore overvaluing the significance of

RGGI revenue and, at the same time, undervaluing or ignoring the severe economic harm caused by these closures.

RGGI is an unrecoverable “tax” on coal and natural gas-fired generation in Pennsylvania.

All Pennsylvania generators will become less competitive within PJM as compared to neighboring non-RGGI PJM State generators such as those located in Ohio, Indiana, Kentucky, and West Virginia.

RGGI will cause the immediate or near immediate retirement of all of the coal-fired power plants in Pennsylvania -- if you are familiar with the markets today, it is a near certainty that this will occur -- and the loss of the related economic benefits, the high-paying jobs, the tax revenue, and the supporting industries anchored in those communities.

One way to look at it is that RGGI is simply a nuclear-tipped economic cruise missile aimed at the coal-fired power plants and at the citizens located in Allegheny, Armstrong, Cambria, and Indiana Counties. These Pennsylvania counties represent “Ground Zero” for RGGI.

In light of RGGI’s impact upon the plants and upon the vulnerable communities where they are located, certain coal-fired facilities, which have already invested billions of dollars to remain in compliance with environmental rules and regulations and remain operational

-- Cheswick, Homer City, Keystone, and Conemaugh -- engage the economic consulting firm eConsult to work with us and examine the contributions made by these plants and what will be lost if they are forced to shutter prematurely.

Here is what we found:

Locally, these four facilities, on an annual basis, generate 33.2 million megawatt hours of electricity; just over a billion in operating expenditures a year; 622 people are employed directly by these facilities; and we pay over $91 million in employee compensation, including benefits, on an annual basis.

Statewide, these facilities annually support 2.87 billion in total economic impact within Pennsylvania; 8,170 total jobs; and 539 million in employee compensation. In my slides, you can also see the breakdown by Pennsylvania county, the counties that I noted previously.

These same plants are very important to local corporate citizens and among the largest State and local taxpayers in those communities. They contribute 38 million annually in income, sales, business, environmental, municipal utility, and property taxes and fees.

There is no doubt that RGGI will diminish Pennsylvania’s premier national role as an exporter of electricity. RGGI’s program history in all the other RGGI States so far proves that participants will generate less electricity and import more out-of-State or out-of-region power. This is referred to as “leakage,” this concept.

RGGI provides a competitive advantage to new and existing non-Pennsylvania generation resources located in PJM States where RGGI is not adopted. Again, West Virginia, Ohio, Indiana, and Kentucky benefit if Pennsylvania adopts RGGI.

Net exports of Pennsylvania electricity will be reduced, and we all remember from basic economics, the principle of comparative advantage will prevail. New projects will simply move right across the border from Pennsylvania to more investment-friendly, non-RGGI States and have an advantage over all existing Pennsylvania generation.

In lieu of Pennsylvania exporting electricity, RGGI will export new investment, new construction jobs, and new operations jobs from Pennsylvania to those States. Again, this is leakage.

RGGI will also diminish Pennsylvania’s electric energy resilience by causing the immediate or near immediate shutdown of all coal-fired generation in Pennsylvania. We will cease to have this robust resource available to us during the next polar vortex or during other extreme demands for electricity, whether technical or weather related. And you can see in one of the slides how coal has responded during those times of extreme demand.

RGGI represents value destruction and sends an investment risk message to the capital markets, the energy capital markets. Two examples:

In the summer of 2019, the uncertainty of RGGI, RGGI rumors were spreading in Pennsylvania, and its potentially adverse financial impact upon solid fueled plants caused lenders to withdraw from certain lending syndicates supporting coal-fired facilities.

In the fall of 2019, the proposed acquisition of a coal refuse facility was withdrawn following the announcement of RGGI. That plant will close at the end of March.

Simply stated, the markets are watching us, and even if unspoken, the markets will vote with their next investment dollar. The economic principle of comparative advantage will prevail, and lost Pennsylvania generation will be replaced by new investment in PJM but outside of Pennsylvania, places like Ohio and West Virginia, without the added RGGI tax.

So finally, how do we move forward together? There are certainly many people of good faith on both sides of this discussion. Yet, we need to ensure that transparency governs Pennsylvania’s approach to RGGI and its implications for the Commonwealth. The voice of all of the stakeholders, including those most directly and adversely affected, must be heard.

We ask that you commit your offices to supporting the resilience and the competitiveness of Pennsylvania's diversified energy portfolio and Pennsylvania's proud position as the top energy-exporting State in the nation. We ask that you embrace the vital direct economic contribution from coal-fired facilities to the communities that they serve.

As a matter of fairness and legitimate legal authority, we believe that Pennsylvania must also adopt prior legislative authorization before committing the Commonwealth to RGGI, or for that matter, to any cap-and-trade program.

Ultimately, if Pennsylvania proceeds down this path, we can certainly agree not to implement RGGI or any cap-and-trade program in Pennsylvania without all of the PJM border States first implementing RGGI as well. This would at least be a means of mitigating the damage caused by leakage.

Without these sorts of protections, we are unilaterally making a decision to destroy existing investment and existing jobs in Pennsylvania, and we're purchasing, at best, a diminished future for Pennsylvania's energy markets.

Thank you.

MAJORITY CHAIRMAN METCALFE: Thank you, sir.

Mr. Cameron, we have next. You might want to pull the microphone, sir, over in front of you there so we can -- cameras are rolling. Thank you, sir.

MR. CAMERON: Good morning, Chairmen Metcalfe and Vitali, Representatives, and Members of the Committee.

My name is Paul Cameron. I am the Business Manager of IBEW Local 459 in Johnstown, Pennsylvania, and I am here on behalf of the 1700 members of Local 459.

Local 459 has been representing the union members who perform operation and maintenance work in the utility industry of western Pennsylvania since 1934. Our members perform the work of building and maintaining electric transmission lines and distribution systems. We operate and maintain hydro, natural gas, coal refuse generating stations, as well as the three largest coal electric generating stations in the State. That’s why I’m here today, to talk about the Homer City Generating Station, Conemaugh Generating Station, Seward Generating Station, Shawville Generating Station, and the Keystone Generating Station, where I hold the job classification of a certified welder, and I have been employed there for 30 years.

The generating stations I have mentioned have evolved immensely since their initial construction. They are constantly changing by adding new equipment, updating operating procedures, and finding better ways to run a cleaner, more efficient, and safe plant. Proof of this is the 40 percent drop in per capita emissions from 2005 to 2017 of our Pennsylvania power plants. This is the same reduction of the RGGI States, which makes me wonder if the RGGI program actually is responsible for reduced emissions or was it just the evolution of the industry?

When we talk about preserving or protecting Pennsylvania’s natural resources, we must be mindful of the most important resource that Pennsylvania has -- its workforce. The wage and benefit packages provided to the workers that are negotiated between the unions and the companies that operate the plants set a standard in the area for wages, benefits, pensions, and retirement savings plans while providing safe working conditions and job security. These generating stations have been the core for a steady economy for our area for generations.

Residing in Indiana County, I feel very lucky to have had the opportunity to raise and provide for my family in a community that has been fortunate not to have experienced the adverse effects of a community in decline. I credit that to the power generating industry that has provided multiple generations with family-sustaining jobs. These jobs support some of the best public school districts in Pennsylvania where the communities are moving forward.

Being a part of these communities and having a secure job is what the middle-class workforce dreams of. Those of us in the coal electric generating industry are proof that it does exist. Pennsylvania workers cannot afford to lose these family-sustaining jobs, which is what happens when a State joins RGGI.

Please keep in mind that it is always the working people who have kept the economy going. Preserving these family-sustaining jobs for the working people of Pennsylvania is my number-one priority, and I ask that you please make it yours.

In closing, I would like to mention:

When the cost of the power generator increases, consumers pay more.

If Pennsylvania loses its status as a top exporter of electric power, the workforce and communities will suffer most.

I request that all House Members back Local 459 and our 1700 members who feel that RGGI presents a dangerous threat to our livelihoods, our communities, and our economic security.

We would ask that you support House Bill 2025, and we ask that you oppose initiatives that would tax Pennsylvania’s electric generation.

And I respectfully ask Governor Wolf not to enter into the multistate RGGI that will result in exporting jobs and, for the first time, Pennsylvania becoming an importer of electric power.

Thank you for your time.

MAJORITY CHAIRMAN METCALFE: Thank you, sir.

Mr. Shawn Steffee, Executive Board Trustee/ Business Agent, with the Boilermakers Local 154.

MR. STEFFEE: Thank you, Mr. Chair.

Good morning. My name is Shawn Steffee, and I am the Business Agent and Executive Board Trustee for Boilermakers Local 154 in Pittsburgh. I also serve as the Recording Secretary of the South Central Building Trades, and today I am here along with my business manager, John Hughes, on behalf of almost 2,000 members and their families to discuss our concerns about the energy situation in Pennsylvania.

Our Local covers western Pennsylvania, parts of Ohio, and West Virginia, while Local 13 in Philadelphia serves the east side of the State.

Boilermakers are skilled tradesmen who are proficient in all aspects of heavy construction industry. We play a large role in the building and maintenance of coal and gas-fired power plants, steel mills, paper mills, refineries, and chemical plants. Today, I am here to show you the severe impact that the loss of coal-generated electricity will have in Pennsylvania due to RGGI.

NAES Power Contractors and Hayes Mechanical are responsible for the bulk of the boilermaker work in Homer City, Keystone, Conemaugh, and Seward just outside of Pittsburgh. From 2017 through 2019, NAES and Hayes Mechanical collectively reported 688,674.65 man-hours at a $31 million gross wage. That’s conservative numbers. These numbers do not account for the thousands of other man-hours reported from other signatory contractors within our jurisdiction, which is why I affirm these numbers are conservative.

Enerfab Power and Industrial Company, the main contractor at the now decommissioned Bruce Mansfield Power Station in Beaver County, Pennsylvania, recorded 278,900 man-hours from 2017 to 2019 and gross wages of $14.5 million to the boilermakers.

Just across the border at the Sammis Plant in Columbia County, Ohio, Enerfab reported 238,275 man-hours from 2017 through 2019 and 14 million in gross wages, not to mention that they have already projected over 200,000 man-hours at Sammis now for 2020, which is a direct reflection of the shutdown at the Bruce Mansfield Plant in Pennsylvania.

In the Northeast region of the United States, several States have already signed on to the Regional Greenhouse Gas Initiative, as we know. This affects 11 Boilermaker Locals whose members reside in these States. To put things into perspective, in 2017 through 2019, these States reported 6 million man-hours total. My Local, combined with Local 13 in Philadelphia, reported 8 million man-hours total for the entire State of Pennsylvania. As you can see, our 11 sister Locals who reside in these RGGI States are struggling, and I do not wish the same for Pennsylvania.

Projected to start in 2022 across the border from Greene County, Pennsylvania, in West Virginia is Longview Power Clean Energy Center. Longview plans to build a 1200 megawatt gas-fired combined cycle power plant and a 70 megawatt solar farm at a total cost of 1.1 billion. Longview's CEO, Jeff Keffer, says this facility will be a global model for clean fossil and renewable energy development.

Now, here's a couple of facts.

They will run a 30 million, 6.2-mile pipeline back into Greene County, Pennsylvania, tie into the TransCanada-Columbia Pipeline, and use Marcellus Shale to power West Virginia's new gas plant, which will create millions in tax revenue and 5,000 construction jobs in West Virginia.

The solar farm, which will primarily sit in Pennsylvania, will receive renewable energy tax credits from Pennsylvania because West Virginia has no such program, and this will create two to four full-time jobs.

Senator Shelley Moore Capito, Senator Joe Manchin, and Governor Jim Justice of West Virginia said they will be an all-in energy State and truly put West Virginia on the map. Pennsylvania should be pursuing these hybrid power plants as a leader of electricity generation. And make no mistake, we will never have these opportunities if we join RGGI.

A $5 billion ethane cracker plant has broken ground as we speak in Belmont County, Ohio. RGGI States would rather spend 950 million on the transmission line from Canada, called the New England Clean Energy Connect, and import hydroelectricity and receive tankers of natural gas from foreign countries but will not let a pipeline from Pennsylvania into their States to receive Marcellus Shale gas.

Why would we want to follow the RGGI States when they have the highest electricity prices, the highest cost of living, terrible infrastructure, and all are importers of electricity when we are the leaders of exporting electricity? Why would we want to contribute to RGGI, Incorporated, a 501(c)(3) nonprofit business based in

New York which oversees all RGGI States, employs a high profile, a highly educated staff, who I would think would require hefty salaries, and Pennsylvania will be their largest contributor if we join?

Pennsylvania is demonized for using coal, but 43 biomass plants are operating in all these RGGI States and provide 150 percent more CO2 per megawatt than coal, and they are considered renewable energy, receiving tax credits. Biomass has become the number-one renewable energy in six RGGI States.

Let's consider Germany, a leader in renewable energy, who are still unable to rely solely on renewables alone to keep their grid stable. As we speak, they are currently bulldozing ancient forests and historical towns and churches to mine brown coal to stabilize their grid and economy, wasting billions on renewable efforts and still unable to meet their clean energy goals.

Why do we continue to push for solar, an intermittent, unreliable source of energy? And as predicted by many, including Michael Shellenberger, a Green Book winner and Time Magazine's hero of the environment, Michael states that solar panel disposal will explode with full force and wreck the environment, China's expert on solar waste calling it a ticking time bomb. Japan's Environmental Ministry cannot recycle 10,000 tons of solar panels and predicts 800,000 tons in 2020.

Our own heavily subsidized solar manufacturers are facing recycling problems, many going bankrupt, leaving taxpayers the burden to clean up toxic sites, costing millions.

Two-hundred-foot windmill blades that cannot be recycled are filling our landfills. Just ask Wyoming. And as of February 3rd, Japan just announced 22 new coal-fired power plants to be built in Japan. Why are they not using renewables? Because coal works.

Therefore, PA must be proactive and implement and subsidize carbon-capture technology so we can use our abundant coal resources and control emissions. Let's produce fertilizer, and let's create high-paying jobs. And I urge the House to vote "yes" on Bill 2025 and keep Pennsylvania a leader in exporting electricity.

Thank you, Members.

MAJORITY CHAIRMAN METCALFE: Thank you, sir.

Our final member of this panel, Mr. Donald Arena, President of the South Central PA Building Trades Council. Thank you, sir.

MR. ARENA: Yes. Good morning, Chairman Metcalfe, Chairman Vitali, and the Members of the Committee.

My name is Donald Arena. I am the President of the South Central Building and Construction Trades Council.

MAJORITY CHAIRMAN METCALFE: You might want to pull that microphone just a little closer, sir, just to---

MR. ARENA: Oh; sorry. Is it on?

MAJORITY CHAIRMAN METCALFE: Yeah.

MR. ARENA: Oh; okay.

Okay. Our Council consists of 22 affiliated building trades' local unions serving 7 counties in west-central Pennsylvania, including Cambria and Indiana County.

Our affiliated local unions provide manpower to every aspect of the construction, maintenance, repair, and service industries throughout the seven counties. Projects that you may see our members on are as small as local retail stores to large industrial manufacturing and power generation plants.

One of our larger projects recently completed in Cambria County is a 1,050 megawatt combined cycle natural gas facility. This facility provided our members with approximately 1.7 million man-hours over a 30-month duration at approximately a billion dollars, and that's the project, total project cost.

I have provided a fact sheet with a brief overview of this project, and I do want to mention that

that project came in at 2 months early. It went commercial 2 months earlier than anticipated.

We also provide manpower to contractors that service Conemaugh, Homer City, and Seward Generating Stations, as well as plants outside our territory. We have members at these plants year-round.

In addition, we do forced outages throughout the year, as well as 7- to 8-week outages in the spring and fall. As an example, in 2018, the Unit 1 fallout at Conemaugh Station roughly was 8 weeks long and was over 215,000 man-hours. Our craft members' benefit, economic benefit, was approximately $19 million. In 2019, the Unit 2 outage at Keystone Power Station was a similar duration, with 259,000 man-hours and an economic benefit of approximately $23 million. I wanted to provide this background information so you can understand the impact that RGGI will have on craft people and the reduction of man-hours.

In the last 10 years, we have seen numerous coal-fired power plants either convert to natural gas or retire, which reduced carbon emissions. Without RGGI in place, it is estimated that the remainder of the coal-fired plants will retire within the next 5 to 10 years, if not sooner.

With RGGI in place, these plants will close almost immediately after it is implemented. We need to let these plants retire at their own pace. By doing this, we will have the opportunity to replace these plants with another form of energy instead of giving the opportunity to another State in the PJM operating market. We need to entice investors to build new facilities on these retired generation sites, not deter them.

This would give the communities a chance to recoup some of its tax revenue losses from the current plant closings. Just the mere fact that the Governor has announced that he would like to become part of the RGGI program has already deterred investors from looking in the Commonwealth of Pennsylvania to build future plants.

In Fayette County, there is a closed fossil-fuel plant that retired in 2013, and it’s called Hatfield Ferry. This plant is slated to have a new combined cycle gas-fired power plant built on its site. We understand that the investors were considering not building this plant because RGGI was a possibility in the Commonwealth.

Let’s face facts. If I were an investor and I had billions of dollars to invest in energy and I had a choice between investing in the Commonwealth of Pennsylvania as a RGGI State or investing in Ohio or West Virginia that does not have an additional cap-and-trade mechanism in place, which one would I invest in? Why would developers build a gas-fired power plant in a State that would have an additional operating cost of $2.35 per megawatt hour?

I think we need to look at the big picture. We are a part of the PJM operating market that consists of 13 States, so developers could build anywhere in the market and still provide power to the grid. The power generation business in our Commonwealth is already exceeding the $CO_2$ benchmarks.

Again, why not let these plants retire at a natural progression? This would give us an opportunity for investors to put power plants on those old fossil-fuel sites, which in turn would give the community, a community that will be under a distressed status, an opportunity to recoup some of its losses and tax revenue.

As I mentioned before, 1,050 megawatt combined cycle power plant provides workers with about 1.75 million man-hours. Granted, we don't get the maintenance out of these plants like we do coal-fired power plants, and these plants operate with much less manpower, but at least the community would regain some of its tax revenue losses.

My hometown is Johnstown, PA. Johnstown, PA, was a thriving steelmaking town until the early eighties. During the years of the Cold War, Johnstown, PA, was one of the targets because of the fact that it made so much steel.

When the steel mills closed, the town was devastated.

By 1992, the city of Johnstown became a distressed city under Act 47. By October of 2021, they will be out of their distressed status. That's 29 years, and at this point, they aren't a hundred percent sure how it's going to work out. The point I'm trying to make is that communities don't recoup as fast as you think from major industries moving out of the area.

Now, in Johnstown's case, it was unavoidable based on economic conditions and a major flood in 1977. In this case, by implementing RGGI, you are creating an economic hardship for these communities. With RGGI in place, once again, investors are less likely to come.

In closing, I ask that all branches of State Government look at all factors and all data before deciding entering into the RGGI program.

Thank you again for my opportunity to testify.

MAJORITY CHAIRMAN METCALFE: Thank you very much, sir.

Representative Otten with the first question.

REPRESENTATIVE OTTEN: Thank you, Mr. Chairman.

Thank you for your testimony. I heard several things that raised questions for me.

Someone mentioned that our most important resource is our workforce, and I agree that our workforce is very important, but I would argue that our most important resource is our children and our families. And I think that as most of you probably also are parents, not one of us would be willing to sacrifice a child for a job.

And that RGGI would create a threat to the livelihoods, a community's quality of life, and the economic vitality of some communities, but RGGI would actually improve the quality of life, the economic vitality, and livelihoods of many families. RGGI would give the opportunity to work on electrification---

MAJORITY CHAIRMAN METCALFE: Excuse me.

Representative Otten, we're not taking---

REPRESENTATIVE OTTEN: I do have a question. I have a question.

MAJORITY CHAIRMAN METCALFE: We're not taking testimony from you.

REPRESENTATIVE OTTEN: Okay.

MAJORITY CHAIRMAN METCALFE: We're asking for a question, and we have other Members who would like to ask questions, on your side of the aisle especially. So please---

REPRESENTATIVE OTTEN: Okay. I have a question. I have a question.

MAJORITY CHAIRMAN METCALFE: Round up with a question, please.

REPRESENTATIVE OTTEN: So we would be able to invest in electrification of transportation; reforestation, which there is no better carbon capture mechanism than a tree; rebates back to consumers to lower their electricity costs.

But my question is, how many man-hours are worth a life, and what is your statistical value of a life?

In Beaver County, we experienced an explosion---

MAJORITY CHAIRMAN METCALFE: Representative Otten, thank you. Thank you for your time to testify, but we weren't accepting---

REPRESENTATIVE OTTEN: Are you silencing my question?

MAJORITY CHAIRMAN METCALFE: ---we weren't accepting testimony, and your question to try and pose to these gentlemen, who are experts in their own fields, to ask them a question---

REPRESENTATIVE OTTEN: I think that's a reasonable question, Mr. Chairman.

MAJORITY CHAIRMAN METCALFE: ---on how many hours are worth a life is a ludicrous question and something that shouldn't be posed respectfully to any testifier before this Committee.

REPRESENTATIVE OTTEN: Mr. Chairman, the airline industry has---

MAJORITY CHAIRMAN METCALFE: So thank you.

On to Representative Krueger-Braneky for a question.

REPRESENTATIVE KRUEGER: Mr. Chairman, I would like to cede my time to Representative Otten to actually finish her question.

MAJORITY CHAIRMAN METCALFE: We don't cede time here.

Representative Comitta.

REPRESENTATIVE COMITTA: Thank you, Mr. Chair.

Thank you all for being here.

First, I just wanted to mention to Mr. Cameron that preserving family-sustaining jobs for the working people of Pennsylvania is a priority that I and I think all of us share, and I want to tell you I respect that.

MR. CAMERON: Thank you.

REPRESENTATIVE COMITTA: And I think something that we also likely all share is a desire to do the right thing for those families that the jobs sustain and to make sure that we are taking action that protects the air and the water and the environment for our children and families.

So there is a tension here between jobs and protecting the environment, which is outlined in our Pennsylvania Constitution as something that we should be protecting as well, and we all know that. And I think that we should have ongoing discussions about overarching energy policy in Pennsylvania and the region---

MAJORITY CHAIRMAN METCALFE: Representative Comitta.

REPRESENTATIVE COMITTA: ---to figure out how we balance that. And I am coming to the---

MAJORITY CHAIRMAN METCALFE: A question, please.

REPRESENTATIVE COMITTA: Thank you. Yes.

MAJORITY CHAIRMAN METCALFE: Again, Members aren't testifying. That's disrespectful to not allow us our time for the testimony when you're trying to testify also. Please ask the questions.

REPRESENTATIVE COMITTA: My question is this: It's my understanding that the RGGI draft regulation sets aside almost 8 million tons of CO2 for waste coal plants. So do you think that that set-aside is enough and that the waste coal industry might support Pennsylvania's entry into RGGI? And even with the proposed set-aside, do you think waste coal-fired power plants will actually close? There's a set-aside in RGGI for coal plants.

MR. BRISINI: I'll respond to that.

MAJORITY CHAIRMAN METCALFE: Please.

MR. BRISINI: The 7.9 million tons identified as a set-aside is actually a low number based upon current times, which these plants are under great economic stress.

The circumstance that you have, the set-aside, will that set-aside save those plants? Not under the current capacity market. There's a variety of issues that are causing the problems.

FERC has identified already that the capacity market is artificially suppressed in price. That's a decision they have made. They haven't been able to figure out a responsible way. The capacity market right now is somewhere in the vicinity of $75 or $80 per megawatt day, and that's a fraction. That's less than half of what it normally has been.

So you operate in these markets. Will that set-aside save them? No. Will it result in coal refuse-fired plants supporting RGGI? I don't think you will find that they will necessarily support the RGGI rule, because the challenge in it -- and I raise this point, and I think it's a very important point.

The conversation that is being attempted to be made is that Pennsylvania joining RGGI is about an environmental or a climate outcome. My research into the information demonstrates that you really achieve very little in terms of carbon reduction. You will achieve probably 1 percent -- likely less -- 1 percent of the U.S.--- I mean, in other words, you're going to get something less than 20 million tons reduction in Pennsylvania. But if you replace all of the coal that's eliminated by RGGI participation and you take those emissions and basically assume those emissions will replace the emissions from coal, you get this number that's about 1 percent of the total U.S. carbon dioxide from electric generating units.

So I venture to say that Pennsylvania's participation in RGGI is not an environmental or a climate discussion. It's a discussion about whether or not Pennsylvania is willing to accept the economic burdens and the jobs -- and you can't support children without jobs; you can't provide them health care without jobs -- and whether or not we are willing to do this to Pennsylvania when there's really not a commensurate benefit identifiable on a local, global, or regional scale.

MAJORITY CHAIRMAN METCALFE: Thank you, sir, for your answer. And we are at the end of our time for this panel, but we thank you gentlemen for testifying today.

Just to assure you that what you said to this Committee today is not lost on the Committee. Don't walk away thinking that based on the way that certain questions might have been posed to you. We did hear you loud and clear that this will harm your communities, harm the individuals who you are representing, both through the labor unions and through the corporations, and will ultimately harm our economy in a way that drives business out of Pennsylvania into the surrounding States, causing that leakage that was testified of earlier.

So thank you for joining us today. Thank you for taking the time to be with us and travel here today, and---

MINORITY CHAIRMAN VITALI: Mr. Chairman, if you can indulge me in a brief comment.

I---

MAJORITY CHAIRMAN METCALFE: Excuse me, Representative Vitali. You're out of order. I'm not indulging you in any comments right now. We're going to move on to the next panel.

Thank you, gentlemen. Have a great day.

MINORITY CHAIRMAN VITALI: In defense of my Members---

MAJORITY CHAIRMAN METCALFE: Representative Vitali, you are out of order, sir. Please turn off your microphone.

We now are inviting the next panel of testifiers: Mr. Carl Marrara, Vice President, Government Affairs, the Pennsylvania Manufacturers' Association; Mr. Kevin Sunday, Director, Government Affairs, Pennsylvania Chamber of Business and Industry; Mr. Rod Williamson, Executive Director, Industrial Energy Consumers of Pennsylvania; and

Ms. Rebecca Oyler, Legislative Director, the National Federation of Independent Business.

These four individuals will be presenting next. They each have been informed of their allotted times. As we move through that, we'll have some Q-and-A time with them at the end.

We'll start off with Mr. Carl Marrara.

MR. MARRARA: Yes, sir.

MAJORITY CHAIRMAN METCALFE: If he's ready to go, we're ready for him to start.

MR. MARRARA: Yes, sir.

MAJORITY CHAIRMAN METCALFE: Thank you very much for being with us all. Thank you.

MR. MARRARA: Good morning, Chairman and esteemed Members of the Committee.

I am Carl A. Marrara. I am the Vice President of Government Affairs for the Pennsylvania Manufacturers' Association, the nonprofit statewide organization representing the manufacturing sector. It's 570,000 employees on the plant floor, millions of additional jobs in supporting industries, and more than $93 billion in gross State product in Pennsylvania's public policy process.

Let us first begin by establishing a commonsense baseline: that everyone wants a clean, healthy, sustainable environment. The issue at hand is whether or not a government program that will undoubtedly add substantial costs to Pennsylvania's electricity consumers is in fact the best mechanism to achieve the cleanest, healthiest, and most sustainable environment possible. You'll find that the answer to this question is clearly that RGGI does not accomplish this goal but does negatively impact Pennsylvania's economy in a punishing way.

It is imperative that Pennsylvania policymakers not enact laws or regulations that place our Commonwealth at a competitive disadvantage to our competitor States. Laws and regulations should not be more stringent than Federal regulations or laws unless there is a compelling reason that is unique to our Commonwealth.

It is important to ensure that environmental regulation is approached on sound scientific evidence to ensure that regulations are reasonable and within technological limits. It is likewise prudent that these regulations actually achieve real environmental benefits and do not advantage one sector of the economy to the detriment of another. RGGI fails all of these bright-line tests and should be rejected by Governor Wolf and the Pennsylvania General Assembly.

According to research published by the Cato Institute by David Stevenson, who shared his expertise earlier, "RGGI allowance costs added to already high regional electric bills. The combined pricing impact resulted in a 12 percent drop in goods production and a 34 percent drop in the production of energy-intensive goods. Comparison states increased goods production by 20 percent and lost...5 percent of energy-intensive manufacturing. Power imports from other States increased from 8...to 17 percent."

One of those States where the jobs moved to and the electric generation came from to supply the RGGI States was Pennsylvania. By entering into RGGI, this shift would continue, but to other PJM Interconnection States such as West Virginia, Ohio, and Kentucky, benefiting from our poor public policy decisionmaking.

Returning to the original premise of wanting a clean, healthy, and sustainable environment, Governor Wolf proposed targeted emissions reductions of 26 percent by the year 2025, which is well within striking distance sitting here today, some 6 years away. The private sector has led the way doing what the private sector does best: innovating, inventing, and forging a better future for all of us.

Energy-related $CO_2$ emissions have decreased 22 percent from 2005 to 2016. With more natural gas-fired power plants coming online since 2016, that percentage will only increase as the data is updated and republished. Governor Wolf's goals are being met without entering Pennsylvania into a regional accord that will thwart private-sector innovation, forcing layoffs of thousands of our Commonwealth's workers and putting our economy in a tailspin, as entire communities will be negatively impacted.

You'll hear, and you have heard from others today, about the importance of coal in our Commonwealth's electricity market, but the premature shuttering of coal and waste coal facilities will have even larger impacts.

Consider the fact that Pennsylvania's steelmakers require coal to make coke and coke to make steel. Coking coal, more specifically known as metallurgical coal, is a necessary ingredient to produce steel. There is no substitute. Many of the same mining operations that extract coal for power generation also mine, or owners of those companies own metallurgical coal-mining operations as well. If the power plants shut down suddenly and prematurely, this will surely impact the mining jobs that supply the coal to the power plants.

If those mining operations have to shutter their businesses, again, early and prematurely, the Pennsylvania steel industry will be impacted, as a key feedstock to their product will be more difficult and expensive to obtain. The regional accord threatens entire industries well outside of the realm of what Governor Wolf has aimed at, and it puts Pennsylvania at a unique competitive disadvantage.

We do care deeply about the environment, which is why we want this industrial activity to happen here in Pennsylvania than elsewhere in the world. We will benefit from the jobs and the economic activity, but we'll also benefit from the fact that Pennsylvania has some of the strictest regulations when it comes to emission standards, oil and gas drilling, and mineral extractions.

From an environmental standpoint, we would rather that activity happen here where companies are good stewards of their environment and there is strict oversight rather than in Russia where environmental regulations are skirted, or China where there are serious human rights violations, worker exploitation, and heavy, heavy pollution.

By entering into RGGI, industrial activity will be relocated, and who knows where it's going to go to. Tax policies at the Federal level are making it the smart business decision to locate, hire, and expand here in the United States. Let's not drive that activity back across our borders into neighboring States, or worse, foreign countries.

It is not a stretch to say that by supporting

RGGI, you are supporting Russian and/or Middle Eastern energy leadership and Chinese steel-dumping. Let’s work with our industries to innovate, invent, and forge a clean, healthy, and sustainable environment, not overregulate our many vital industries out of existence.

Thank you, Chairman.

MAJORITY CHAIRMAN METCALFE: Thank you, sir.

Mr. Kevin Sunday from the Pennsylvania Chamber.

MR. SUNDAY: Thank you, and good morning. Pardon my voice.

My name is Kevin Sunday, Director of Government Affairs with the PA Chamber. We’re the largest broad-based business advocacy organization in the Commonwealth, and our nearly 10,000 members of all sizes in commercial sectors rely on affordable energy and a predictable regulatory environment.

My remarks this morning will serve as a brief overview of what is contained in the written testimony I have submitted. But first, as a statement of policy, environmental stewardship and economic growth are mutually compatible, and policy should be framed and implemented to achieve both.

Environmental goals should be established based on the perspectives of stakeholders and the public, along with clearly defined objectives, risks, alternatives, and costs, and it is imperative that government then provide flexibility to industry to achieve that goal. Market-based approaches can be a means to secure the attainment of those goals in a cost-effective manner, but at the same time, it is vital that costs do not exceed the benefits.

As we stated when the Governor signed his Executive Order last October directing DEP to begin crafting regulations to implement RGGI, climate change is real, and so is the need to have business at the table to discuss solutions and trade-offs.

I would also like to mention that the major statutes in question that guide and direct DEP on its duties, the State Air Pollution Control Act and the Federal Clean Air Act, were written decades before the topic of greenhouse gas regulation became a focal point of the discussion in energy policy. Nonetheless, the policy directives of those statutes remain.

The Clean Air Act directs EPA and States to implement its provision in a manner that promotes public health and welfare and improves the productive capacity of the population. And the State Air Pollution Control Act, which is quite broadly written in terms of powers and duties the General Assembly granted the agency, directs DEP to protect air resources in a manner that encourages the development, attraction, and expansion of industry, commerce, and agriculture.

While these statutes have been implemented over decades, our member companies, their boards of directors, their investors, are asking what can be done to reduce emissions and improve sustainability. Similar steps our members have taken might be introducing a hundred percent clean energy products into PUC's marketplace for retail shopping. Other folks have innovated into microgrids to pair renewables and natural gas systems at airports and defense facilities. Food manufacturers, pulp and paper and steel processors, educational institutions and hospitals, have adopted combined heat and power systems to improve resilience and reliability. And logistics companies are converting portions of their fleets to alternative fuel vehicles to reduce emissions and costs.

And as a result of the existing regulatory framework and voluntary efforts like these, criteria pollutants such as NOx have fallen 65 percent over the past two decades, SO2 by 90 percent, and CO2 economy-wide in this State by 22 percent. In fact, only one other State in the entire country has reduced its greenhouse gas emissions more than Pennsylvania has since 2005.

We have seen competitive markets deliver emissions reductions while preserving Pennsylvania's role as a net energy exporter. And it's paramount that as energy and environmental policy is developed and implemented, the State remain a net energy exporter, and we appreciate the Administration and the General Assembly have both stated they have a goal of preserving that status.

Flexibility is key to a successful regulatory framework, and to cite one example, in 2017, DEP finalized a provision of Federal ozone requirements that providing flexibility achieved a 50-percent, year-over-year reduction in NOx emissions.

Now, specifically to RGGI, a preliminary draft through the regulation was released only last week, but a few points on that.

It notably does not contain a starting cap number, as it’s our understanding the Administration is continuing to engage with RGGI States as to what level Pennsylvania must start from. So it’s unclear at this point exactly how stringent or flexible Pennsylvania’s ultimate rule would be in order to be accepted by other RGGI States.

We also are not able, as a result of this cap, to offer a precise cost-benefit analysis. Our members do have some concern about leakage and costs, leakage being the shift in investment to non-RGGI States, and that would occur if RGGI credit prices increase significantly.

With that said, we do recognize RGGI compliance costs and the associated impacts, and PJM capacity and energy markets are just a few of the many components to the end-user price that ratepayers see, and the ultimate impact remains to be seen, particularly given two outstanding issues. One is how PJM might ultimately incorporate RGGI or other State-level policies into its market rules, which is an open question right now that was referenced earlier, and whether given folks proceeding requiring a rewrite of PJM's market rules means companies must adjust their bids to account for impacts from RGGI or these other State-level policies.

We do appreciate that in a preliminary review of the regulation, only one industrial facility will have direct compliance obligations. Most of the burden would fall, however, on power generation.

To close, this is a broad, complex topic with several outstanding questions and concerns, which I have laid out in the testimony, not the least being the extent to which there needs to be agreement between the General Assembly and the Administration on the existing provisions of the Air Pollution Control Act, which obligates the middle to the General Assembly by DEP regarding multistate agreements on air emissions.

Thank you for the opportunity to speak before you this morning, and we look forward to, with diligence and prudence, engaging the General Assembly and the Administration on behalf of our membership.

Thank you.

MAJORITY CHAIRMAN METCALFE: Thank you.

Mr. Rod Williamson, Executive Director from the Industrial Energy Consumers of Pennsylvania.

MR. WILLIAMSON: Yes.

Chairman Metcalfe, Chairman Vitali, Members of the Committee, thank you for allowing me to be here this morning.

So the Industrial Energy Consumers of Pennsylvania, it's a trade association of energy-intensive large manufacturing companies that have facilities all across the Commonwealth that offer, you know, good-paying jobs and the associated benefits with those jobs.

And these companies have significant expenditures dedicated to electricity costs. Moreover, because these facilities, these businesses they operate, they're 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.

But let me be clear, our issue is not with the underlying goals of reducing carbon emissions but rather what we feel is the unnecessary cost that would be imposed on electric generation in Pennsylvania and ultimately on the facilities that my member companies operate associated with the carbon cap-and-trade program, like the Regional Greenhouse Gas Initiative.

You have heard a lot of data here this morning, and you heard from David Stevenson about the impact of goods production when he compared the RGGI States to some of the, you know, a core set of comparable non-RGGI States, you know, the impact to energy-intensive businesses. And what we're talking about there is primary metals, food processing, paper products, petroleum refining and chemicals.

And you have to remember that at the time of that study as well, the time frame they looked at, 2007 to 2014, manufacturing across the U.S. was struggling. We saw the impact of that year in Pennsylvania with the steel industry. And a large part of that was also associated with energy costs in the U.S. at that time. We are now starting to see the benefit of lower energy costs across the U.S., but specifically here in Pennsylvania because of the deregulated marketplace that we have put in place.

So when we look at this particular issue of RGGI, a couple of the key items that I just want to highlight based on the data that has been shared already is, you know, the overall costs of the RGGI program in Pennsylvania would not be comparable to any other States in the RGGI program. Pennsylvania is an energy-producing State. When you apply that carbon tax to the carbon emissions associated with the energy production in this State, that is going to be, we have heard the figures, it's a significant cost that is going to be imposed upon the economy here in Pennsylvania.

But more importantly, when you look at, what are we trying to achieve -- the carbon reduction, right? -- the data that also has been shared there is Pennsylvania has already reduced more on an absolute basis, the metric tons of carbon, than any other RGGI State.

And there's a presenter that I like who always says, don't tell me what it is; tell me what it means, right? So how can this be? How can it be that Pennsylvania has reduced carbon emissions more than these other RGGI States? It's because Pennsylvania has already taken steps. They passed laws to increase renewable energy and improve energy efficiency. And more importantly, Pennsylvania's competitive electricity market continues to add lower carbon dioxide emitting generation while decreasing costs to customers.

Finally, I would like to point out that industrial manufacturing customers have already achieved the greatest reduction in their CO2 emissions than any other sector associated with their energy usage through the commitment to energy efficiency and should not be penalized by a RGGI program.

Data from the EIA, the Energy Administration, the Information Administration, and the U.S. Bureau of Economic Analysis, and that's presented in my chart in my written testimony, shows a steady 52 percent decrease in industrial manufacturing energy intensity going back to 1987. This behavior is well before States have implemented or required or mandated any renewable or energy efficiency program. This type of behavior is driven by a set of behaviors that require it to survive in an increasingly competitive global market.

So in summary, joining RGGI and incurring the increased costs associated with the initiative needs to be analyzed very closely, as the data suggests that the carbon reduction goals sought by the Commonwealth can be and have been achieved without the adoption of a regional framework.

Thank you.

MAJORITY CHAIRMAN METCALFE: Thank you, sir.

Ms. Rebecca Oyler, Legislative Director from NFIB. Thank you, ma'am, for joining us.

MS. OYLER: Thank you.

Good morning, Chairman and Members of the Committee. My name is Rebecca Oyler, and I'm the

Legislative Director for the National Federation of Independent Business in Pennsylvania.

NFIB is the premier small business advocacy organization with about 13,000 members in Pennsylvania and about 300,000 nationwide. We appreciate your allowing us to be here today to speak on behalf of Pennsylvania's small businesses.

Given the time constraints, I'm going to provide an abbreviated version of my written testimony. I'm going to try to focus specifically on small businesses.

Small business owners care about the environment around them and they want to be good stewards. Many of them make their living from natural resources, from whitewater rafting operators, to farm-to-table restaurants, to solar panel installers. They understand that balance is key.

They also know that competitive energy prices are essential to operating a small business. NFIB surveys have found that energy costs are one of the top three business expenditures in 35 percent of small businesses. But even if they are not in the top three, every business, large and small, depends on services and materials along the supply chain that are impacted by energy prices.

But because of their size, small business owners are sensitive to energy cost increases. This is particularly true of energy-intensive small businesses, like, for instance, laundromats, car dealerships, convenience stores, and small manufacturers. Tight margins make it difficult to adjust the price of their goods and services or to change their business practices quickly enough to manage steep increases. For example, most owners can't afford to buy new, more energy-efficient equipment if current equipment still has useful life.

We have heard about how Pennsylvania is fortunate to have certain energy advantages. We have heard a lot about that today. But first, our competitive electric market allows small businesses, like all consumers, to shop for the best price for their energy needs. Electric deregulation has led to competitively low energy rates, innovations in energy distribution, and new products and services for all consumers. In fact, electric competition has produced a market for renewable energy sources, which many Pennsylvanians choose to purchase.

And of course we can't talk about Pennsylvania's competitive advantages without talking about the innovations in hydraulic fracturing and horizontal drilling that have revolutionized energy and already reduced $CO_2$ emissions here in our State and indeed throughout the world. These advantages have helped make Pennsylvania energy competitive among States, where it ranks number 16 for business energy costs. This is a key selling point for business location and expansion and a factor that helps existing businesses stay competitive.

By comparison, the States currently in RGGI rank 40th through 47th, with only Maryland, number 33, and Delaware, 37, ranking better than 40. The RGGI States are at the bottom of business energy competitiveness. Overall, energy costs are lower in Pennsylvania than in every RGGI State.

As we have heard, RGGI will impose significant costs on Pennsylvania's electric producers, which they will pass on in higher electric bills to small businesses and consumers. More of Pennsylvania's coal and natural gas will be shipped out of State, as we have heard today, to non-RGGI States where electric generation is less expensive. Jobs will be lost in the communities where power plants close -- not just the jobs in these plants, however, but the jobs with the small grocery stores, garages, contractors, retailers, and other small businesses that serve those communities.

Given the direct and indirect costs involved, we believe that RGGI is effectively a hidden tax that will impact the entire economy and lead to considerable job losses. The question the General Assembly should consider is whether the benefits are worth the considerable costs that RGGI will bring.

DEP has stated that to have the desired impact on climate change models, Pennsylvania's commitment to RGGI would not be enough. In fact, all States would need to commit to similar greenhouse gas emissions reductions, and all nations would have to meet comparable goals. This seems unlikely and makes us question the true benefit of Pennsylvania for joining RGGI.

If the primary benefit of CO2 is reduction -- we've already heard today from many of our speakers about how we have already reduced our CO2 emissions in the energy sector quite a bit -- DEP's plan will raise revenue for the State to spend on air pollution reduction programs. If pollution reduction is the primary goal of joining RGGI, however, Pennsylvania is again ahead of the curve there. Total emissions were down 88 percent between 1990 and 2017.

Indeed, pollution reduction efforts have been an unheralded success, and our air is cleaner than it has been in decades. Of course, we can always do better, but committing the State to the overhead of an expensive and complicated carbon trading program is not the only answer. Consideration should be given to finding real market incentives here in Pennsylvania -- in Pennsylvania, I should emphasize -- that directly improve our local communities. Pennsylvania should consider creating flexible and innovative funding solutions to incentivize public and private investment in local projects that really do improve air quality. Eligible projects could include reforestation, improved forest management, pedestrian and bike trails, parking areas for shared-ride programs, even abandoned well plugging.

True free market solutions will inspire people to innovate without hindering economic prosperity. Market forces are creating even more innovations every day that will make the world a better place, but many of these ideas will come from entrepreneurs whose small businesses need strong economic conditions to thrive. Indeed, studies have shown that the more prosperous a society, the better it cares for its resources.

It is most appropriate for the General Assembly rather than the Executive alone to weigh costs and benefits involved in the decision to join RGGI. This is why we support House Bill 2025. In fact, giving RGGI the ability to control the artificially created market for allowances and the tax effectively that results from them may be an unconstitutional delegation of the Legislature’s authority to levy taxes and make expenditures. This is all the more reason to consider House Bill 2025 as a check on the authority of the Executive Branch.

Thank you again for the opportunity to speak. I would be happy to answer questions.

MAJORITY CHAIRMAN METCALFE: Thank you very much.

Representative Vitali -- for a question.

MINORITY CHAIRMAN VITALI: Okay.

I just want to note at the outset, every one of the speakers seems to be responding to the RGGI in isolation. I think even the proponents of RGGI will tell you that it has to be RGGI in combination with an increase in the AEPS to get to the desired carbon reduction. So if you could perhaps respond to that.

But my question to you is this: You know, listen, Australia, you have a country that has been on fire. Puerto Rico has been devastated. You have Superstorm Sandy. You have a world that is suffering devastating effects of climate change. What, you know -- we're not getting the carbon neutrality by midcentury by switching to gas, and I want every one of you to answer this. And thank you, Mr. Sunday, for acknowledging the seriousness, the reality of climate change. But what I want every one of you to tell me is, what is your plan? What is your plan to get us to carbon neutrality by 2020 to avoid this slow, severe catastrophe this planet is moving towards? What's your plan? How are we going to get there?

MAJORITY CHAIRMAN METCALFE: Thank you, Representative Vitali, for that impassioned question that the speakers did not testify to today. I don’t think any of them proffered that they have a plan. What I did hear them proffer was the marketplace and private sector doing what they do best with government out of the way: actually produce better results than government programs to address any concern that we may be facing, including the CO2 issue and the crisis that you have created in your own mind like a sci-fi movie with the planet on fire.

Many of us believe there is climate change, Representative Vitali, but not the kind of climate change crisis that you try and exaggerate like you should be writing for a sci-fi company.

Members with legitimate questions?

Representative Comitta -- with a question, please.

REPRESENTATIVE COMITTA: Thank you, Mr. Chairman, and thank you, each of you, for being here today.

And I would also like to say that your panel and really every panel recognizes that climate change is an issue that we all need to address. I love your talking about innovation and entrepreneurship, because goodness knows we need more of that now more than ever. And our businesses and our industries are going to make it happen, and we want Pennsylvania, the Legislature and the Governor, to be partners.

And again, as I said earlier, there is this tension between the jobs and industries and a clean environment, and I believe that the solutions lie, perhaps, you know, with everyone who has testified today and the environmental community as well, and I look forward to those conversations.

But I do have a -- so in addition to my thank-you, I have a real question for Mr. Williamson.

The draft RGGI regulation has an exemption for qualifying cogeneration industries that create and use their own energy. Would your members be able to take advantage of that exemption, and if so, how many do you think?

MR. WILLIAMSON: Yeah. I mean, we do have some members that have their own cogeneration facilities on-site providing. Those opportunities really are contingent upon the thermal requirements of the manufacturing process.

Generally when cogeneration is built at an industrial facility, it’s because they have a need for steam, and the electricity production is the ancillary benefit associated with that cogeneration.

So there are some limited opportunities where those companies that have that thermal need and have installed that cogeneration would be able to take advantage of that. But the bigger issue becomes, if in spite of all the data that has shown that we are able to achieve these carbon reductions without layering on another program such as a RGGI program, if there's a decision to move that forward, you really need to look at carbon offsets and carbon credits provided to all of those energy-intensive manufacturers and not just the ones with cogeneration.

REPRESENTATIVE COMITTA: One follow-up, Mr. Chairman? Thank you.

To my previous comment about the opportunity I see at the table here and in previous panels for some really good conversation about how are we going to keep our jobs and support our industries, entrepreneurs, and so on, are there conversations already going on or is there interest in conversations with the environmental community to put heads together and find some of those solutions?

MR. SUNDAY: I think for us the short answer is yes. As I mentioned, a lot of our businesses, the question is, what can be done in sustainability, and our members are asking those questions.

There are some environmental groups that would say there is no role for a certain fuel mix in the future. We don't agree with that. We think there's a role in the future for every energy source, and then there has got to be some technological and innovation improvements to come along with that. But this is going to take partnership among all stakeholders to meet our challenges, and we're interested in that conversation.

MS. OYLER: I would say as well that I think we're interested in working in Pennsylvania on Pennsylvania improvements.

As I mentioned, rather than turning over this issue to a large multistate bureaucracy, we would prefer to work directly in Pennsylvania with Pennsylvania businesses to find innovations like was mentioned, perhaps carbon offsets for reforestation, those sorts of things, that I think certainly we can work together, the business community and the environmental community, on those types of issues. We prefer to do that in Pennsylvania.

MAJORITY CHAIRMAN METCALFE: Thank you.

And based on your testimony and based on the previous panels, as I know you were all here to observe theirs and listen to theirs, based on the President's State of the Union Address last night and based on his addressing the economic forum, even in Europe, on the energy independence that we have seen created here in Pennsylvania, and coming from your perspective of representing the business community, manufacturers and industrial and small business and -- all of the testimony we received today that has talked about not just the cost of RGGI as far as being a new tax that will be levied on energy producers, passed down, as you mentioned, I believe a hidden tax to businesses. They have to absorb that new cost while they're trying to operate on slim profit margins. But as we have also heard from the labor unions that were represented here today and from those of you that represent across the business community that there's going to be not just the direct impact of that new RGGI tax but the indirect impact on loss of jobs, higher-cost energy to consumers, and the leakage that will occur to where jobs will move out of Pennsylvania into surrounding States that aren't in RGGI -- Ohio, West Virginia, potentially two of those -- along with industrial manufacturing jobs that will likely locate next to the cracker facility that we have being built in Beaver and the one that we hope to see built in the northeast, and the report that was put out I think between the Chamber, PMA talking about our energy-enabled economy, talking about I believe the gas infrastructure that could be developed, natural gas in Pennsylvania could ultimately support five or six cracker plants across the State, which you end up having a lot of manufacturing businesses, I understand, locate close to those cracker plants.

So can you comment amongst the four of you as we close up on your thoughts on what Wolf's RGGI proposal would do to our ability to be a leader in energy production ultimately and how that would hamper what the President has been talking about in such a positive manner, helping such a strong state of our economy and a strong position in the world as an energy leader, to even help Europe become more energy independent from Russia and the Middle East.

Would anybody like to take that?

MR. SUNDAY: Sure. Thank you, Mr. Chairman.

I think it's tough to specifically answer that question. As I mentioned, there's not a cap number, so we don't know where we're starting from or how, if we jump in, if we even jump into this, and we think there is a role for the General Assembly to be engaged. We don't know where we're going to start from or how fast we phase down.

Categorically, we have concerns about costs and leakage and the future makeup of the State's manufacturing energy sector. But I think as we mentioned, there's a lot of questions that need answered before we make a decision one way or the other on this.

MR. WILLIAMSON: Yeah. What I can speak to is that I can tell you firsthand that the innovation that we have seen in the energy production sector within the U.S., but more specifically here within Pennsylvania that's part of this Marcellus Shale, has been one of the key contributors that is allowing us to see a manufacturing, an energy-intensive manufacturing resurgence within the U.S.

So we need to weigh that carefully between the policies that we put in place.

As we indicated, we all have common goals around the environment, but I also come from, you know, generations where we worked, a family that worked within the steel industry. And when those good-paying jobs and the medical benefits from those jobs go away, that also has a significant impact on quality of life.

So we need to be careful how many programs and how much cost we layer on top of each other to achieve the goals that we're seeking.

MAJORITY CHAIRMAN METCALFE: Thank you.

MR. MARRARA: I know I said it before in the testimony, but steel is necessary for our infrastructure. It's necessary for our national defense. It is a necessary commodity that we use here in America and across the world.

Plastics are the same. They are vital, vital commodities, and, I mean, for the health-care industry for sanitary reasons.

I am confident in saying that those products that are made here in Pennsylvania are probably made in the most efficient and energy-saving way possible. At the point at which we admit that those products are necessary to sustain modern living, I would rather that that industrial activity happens within our borders rather than in Russia or China.

I had the opportunity to travel to Asia this past summer and actually had to lay over in Shanghai, China, and in landing, you looked out the window and it's sepia tone, no filter on your phone needed. It's absolutely -- I mean, it's disgusting. And a lot of the products that, you know, that that pollution is causing are products that we make here, and we don't have that issue.

And for those reasons, I really think that the more that we can do at a Federal level and at a State level to incentivize that manufacturing activity to happen here, the better and more sustainable our environment will be.

MAJORITY CHAIRMAN METCALFE: Thank you.

We have about a minute to get to the next testifier.

MS. OYLER: Sure.

Yeah, I would agree with everything that has been said here. Pennsylvania has become a world energy leader, and that only benefits us. Costs have come down, emissions have come down, and yet, we have still emerged as an energy leader in the world, and I think that's an amazing success story that we need to, you know, encourage.

And that has benefited the entire economy here in Pennsylvania, from, you know, the workers in the plants all the way to the small businesses on the corner store. We need to preserve that. And it's like Mr. Marrara said, I would much rather that energy be produced here with all the benefits that come along with it in a much more environmentally responsible way than elsewhere, so.

MAJORITY CHAIRMAN METCALFE: Thank you.

MS. OYLER: Just to close it out.

MAJORITY CHAIRMAN METCALFE: Thank you all.

MS. OYLER: Thank you.

MAJORITY CHAIRMAN METCALFE: Next, we have Ms. Rachel Gleason, Executive Director of the Pennsylvania Coal Alliance.

Thank you for joining us. You can begin when you're ready, ma'am.

MS. GLEASON: Thank you for having me.

Chairman Metcalfe, Chairman Vitali, and Members of the Committee, my name is Rachel Gleason, and I am the Executive Director of the Pennsylvania Coal Alliance. I appreciate the opportunity this morning to talk about the Regional Greenhouse Gas Initiative and House Bill 2025.

The Pennsylvania Coal Alliance represents bituminous coal operators in Pennsylvania, as well as other companies whose businesses rely on coal mining and a strong coal economy. Nationally, Pennsylvania is the third largest coal-producing State, and PCA member companies produce nearly 90 percent of the coal mined annually in Pennsylvania, which totaled over 48 million tons in 2019.

Coal mining helps drive Pennsylvania's economy. We support nearly 18,000 jobs, provide 4.1 billion annually to the State's economy, and 7 billion in total output. The Pennsylvania coal industry creates this economic value in communities across Pennsylvania, with active mining operations in 15 counties, 200 PCA member company locations in 22 of Pennsylvania's counties, and over 2.5 billion in property tax contributions. The industry accounts for 25 percent of the employment in some regions of the State, and for every direct coal job, an additional two jobs are created.

In 2018, coal as a fuel source for electricity accounted for 58 percent of our total production. As the Executive Director of the PCA, I have been charged by our board to advocate for a State energy policy that promotes free and fair markets and provides for a level playing field for all generation sources.

Since Pennsylvania deregulated its electric generation markets in 1996, 18 coal-fired electric generating units have deactivated or converted to natural gas, including Bruce Mansfield, a powerhouse at nearly 2500 megawatts, which shuttered its doors this past November. One other coal-fired EGU is scheduled to end its coal use by 2029. As a result, 11.4 gigawatts of coal nameplate capacity has or is scheduled to go offline since deregulation.

Pennsylvania will have five coal-fired EGUs remaining. In 2018, these five EGUs consumed 8.4 million tons of coal extracted by coal mining operations in Pennsylvania. Overall, coal accounted for 20 percent of the net electricity generated in the Commonwealth in 2018, which is down significantly from the 48 percent just a decade ago.

PCA member companies fully realize that the electric power generation market has significantly transformed this past decade, but remain committed to working within this changing market to ensure that coal remains an affordable, reliable, and resilient resource to the grid. That said, PCA has serious concerns about Governor Wolf’s Executive Order directing DEP to develop regulations joining Pennsylvania to RGGI.

Today, I think we have already established what RGGI is and the premise behind RGGI, which is to tax fossil fuel electric generators, collect revenue from that tax, and then redistribute it to subsidize certain programs or, in some cases, balance General Fund budgets. As we have heard, it is more complex than that. Pennsylvania participates in the PJM Interconnection, a competitive regional transmission organization that manages the electric grid for more than 65 million people in all or part of 13 States plus DC.

Coal continues to play a significant role in diversifying the generation portfolio within PJM and comprised 29 percent of the electricity generated in 2018. This is important, because most RGGI States do not participate in PJM.

Not one of the States currently participating in RGGI, including recently re-joined New Jersey, was an electric generation exporter in 2018. In fact, every RGGI State imported a portion of their electricity from non-RGGI sources.

New York, the only RGGI State with electricity consumption comparable to that of Pennsylvania's, imported their electricity from Canada and Pennsylvania, where our Homer City coal-fired electric generating unit has a direct transmission line into New York State.

Maryland and Delaware, RGGI States that participate in the PJM RTO, imported 30 percent and 53 percent of their electricity from other States in PJM, including Pennsylvania, Ohio, and West Virginia.

In Pennsylvania, the top fossil fuel electric generators who emit carbon dioxide, in order of intensity per megawatt hour, are waste coal, coal, and natural gas. As such, implementing RGGI in Pennsylvania will have differing financial implications for each affected generation unit, some higher than others based on a megawatt-hour basis. That may result in the immediate closure of certain electric power generators and would create long-term, unfavorable economic challenges for others.

Therefore, if Pennsylvania were to join RGGI or develop a cap-and-tax program, it will also prop up fossil fuel generation in other States. Electric power generators in Ohio, West Virginia, and Pennsylvania all generate a significant amount of electricity and compete against each other in the PJM RTO. In fact, generators in Pennsylvania, Ohio, and West Virginia accounted for 45 percent of the installed capacity available in PJM.

Generation in Pennsylvania, including natural gas, would be placed at a competitive disadvantage to similar units in Ohio and West Virginia, which do not have a tax. This scenario, referred to as "leakage," leads to nonparticipating RGGI States emitting more carbon from their EGUs as they increase generation to meet demand and make up for Pennsylvania's lost generation. This is precisely why former PA DEP Secretary Katie McGinty concluded that RGGI is not a good fit for Pennsylvania.

And, Ohio and West Virginia do not participate in the Ozone Transport Region. So their fossil fuel generating units have less stringent emission controls on those that are in Pennsylvania, which may increase actual pollutants like particulate matter, nitrogen oxide, and SO2.

The Pennsylvania Coal Alliance recently commissioned a study from Energy Ventures Analysis to look at the practical impact implementing RGGI in Pennsylvania would have on the five remaining coal-fired power plants. While this study pointed to a certain decline in closure of coal-fired EGUs, it also determined that "PJM generators in nearby states that do not participate in RGGI will gain an advantage over Pennsylvania generators..." and "...coal plant revenues in Ohio and West Virginia will increase by an average of $320 million per year as dispatch shifts...."

Establishing any cap-and-tax program on carbon emissions in Pennsylvania comes with great risk that goes beyond the survival of fossil fuel generation. The economies of communities in Pennsylvania benefit greatly by the presence of these EGUs and they also benefit from the production of coal, which would be significantly impacted with the inevitable closure of these generators.

Counties, school districts, and municipalities receive millions of dollars in property tax revenues from coal operators, and many of the people living in those communities work at and support the mines. In Greene and Washington Counties alone, nearly $17 million in taxes are paid by operators annually.

Further, taxing over 50 percent of Pennsylvania's power generation will increase the cost of electricity, which will inevitably be passed on to the ratepayers and consumers through increased prices for goods. RGGI States' retail electricity rates have risen as much as 27 percent since 2009. And 2009 is when RGGI was born, not 2005 as other people have, folks have indicated.

Rhode Island's has increased by 27 percent, Vermont by 19.7, and Massachusetts by 18.7 percent. And their average retail electric price in 2018 was 51 percent higher than the retail prices in Pennsylvania.

Recently, the Ninth Circuit Court of Appeals decided *Juliana v. United States*, where the U.S. Government and various Cabinet-level departments were sued to stop the permitting and authorizing the use of fossil fuels. In deciding the case, the opinion the majority wrote: "...any effective plan [to stop fossil fuel use and reduce GHGs] would necessarily require a host of complex policy decisions entrusted, for better or worse, to the wisdom and discretion of the executive and legislative branches." This decision echoes that of House Bill 2025.

Bottom line: RGGI is not about reducing carbon. It's about money, generating revenue, while risking jobs, economies, and tax bases, and only the General Assembly has a constitutional role to consider the risks and potential benefits associated with any tax.

The PCA applauds the efforts of Representatives Struzzi, Oberlander, and Snyder and the 56 other sponsors of House Bill 2025 who recognize the General Assembly's exclusive role in major tax policy initiatives and in the implementation of a program with so many far-reaching consequences.

And I will be happy to take any questions.

MAJORITY CHAIRMAN METCALFE: Thank you.

We have time for one question from Representative Vitali.

MINORITY CHAIRMAN VITALI: Thank you.

Most every speaker who testified here today had an economic interest in either the burning of fossil fuels or the building of fossil fuel plants. Not a single speaker here today was testifying about RGGI, explaining the need for it or explaining the need for climate change. That's very unfortunate.

I don't really have a question for you. Thank you.

MAJORITY CHAIRMAN METCALFE: Thank you for your disrespectful way to ask and not ask a question, Representative Vitali.

Yes, you told me that you wanted to ask a question. I recognized you to ask a question. You burned up the rest of our time with saying you really don't have a question. It was very disrespectful to the process.

And the reason why you heard from people who are impacted by RGGI is because these are people who are impacted by RGGI. If we just bring people in that are some of your friends and contributors who want to destroy the fossil fuel industry totally and want us all going back to horse and buggies, and they wouldn't be satisfied with that, because like the Mayor of New York, they probably wouldn't appreciate having too many horses around like he doesn't appreciate cattle, which led into his Meatless Mondays.

Thank you very much for joining us today. Thanks for your testimony---

MS. GLEASON: Thank you.

MAJORITY CHAIRMAN METCALFE: ---and I look forward to further discussions and interaction.

We appreciate all of the testifiers' testimony today. And as I mentioned to one of our earlier panels, the Committee did hear you on the impacts this is going to cause to your members, to your communities, and to our State. So thank you for being here today to speak up and be heard, as we heard had not happened in other States from anybody who was going to be impacted by RGGI when it was adopted in those States, but to create a new tax that will not help the economy and it will not help all of you that talked today. So thank you for being with us. We appreciate it.

A motion to adjourn by Representative Schemel, seconded by Representative Rapp. This meeting is adjourned. Everyone have a great day.

(At 11:00 a.m., the public hearing adjourned.)

I hereby certify that the foregoing proceedings are a true and accurate transcription produced from audio on the said proceedings and that this is a correct transcript of the same.

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