Carbon Pricing in FERC-Jurisdictional)
Organized Regional Wholesale Electric)
Energy Markets; Notice of Request for)
Technical Conference or Workshop)

Docket No. AD20-14-000

On April 13, 2020, Advanced Energy Economy, the American Council on Renewable Energy, the American Wind Energy Association, Brookfield Renewable, Calpine Corporation, Competitive Power Ventures, Inc., the Electric Power Supply Association, the Independent Power Producers of New York, Inc., LS Power Associates, L.P., the Natural Gas Supply Association, NextEra Energy, Inc., PJM Power Providers Group, R Street Institute, and Vistra Energy Corp. (together, the Interested Parties), pursuant to Rule 207 of the Federal Energy Regulatory Commission's (Commission) Rules of Practice and Procedure, 18 CFR 385.207 (2019), filed a petition requesting that the Commission hold a technical conference or workshop to discuss integrating state, regional, and national carbon pricing in FERC-jurisdictional organized regional wholesale electric energy markets.

I. Industrial Energy Consumers of America (IECA)

IECA is a nonpartisan association of leading manufacturing companies with over $1.0 trillion in annual sales and with more than 1.7 million employees. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, independent oil refining, and cement.

II. Comments

IECA does not take a position on whether the Commission should or should not have a technical conference or workshop on integrating state, regional, and national carbon pricing in FERC-jurisdictional organized regional wholesale electric energy markets.

However, any consideration of establishing a price on carbon must consider the impacts to the U.S. manufacturing sector and especially the energy-intensive trade-exposed (EITE) industries. For EITE industries, small changes to the price of electricity can have relatively large impacts to competitiveness, jobs, and investment. The manufacturing sector contributes $2.4 trillion to the U.S. GDP[1] and 12.8 million jobs.[2]

The U.S. manufacturing sector consumes approximately 25 percent of our nation's electricity.[3] Manufacturing sector companies compete with foreign country-based companies that include state-owned enterprises (SOEs) and/or companies that are

[1] Value Added by Industry, U.S. Bureau of Economic Analysis (BEA), www.bea.gov
[2] National Employment, U.S. Bureau of Labor Statistics (BLS), www.bls.gov
[3] Electricity, U.S. Energy Information Administration (EIA), https://www.eia.gov/electricity/

subsidized. U.S. located companies compete with each other as well. Competition can be fierce and relatively small changes to energy costs determine whether a company will either maintain or lose their business.

Because EITE industries are energy-intensive, if electricity costs increase and manufacturers can no longer compete, they will move their production and/or facilities to other states or offshore to survive. When they move offshore, they take thousands or potentially millions of jobs from the U.S. and shift GHG emissions to other countries, accomplishing nothing environmentally. This phenomenon is called "industrial GHG leakage." State-by-state or region-by-region carbon policy also has the potential for companies to shift their production, thereby shifting electricity demand.

This happened from 1999 to 2009 when U.S. natural gas prices increased from roughly $3.00 to over $9.00 per MMBtu. Companies could no longer compete. Over 50,000 manufacturing facilities nationwide shutdown.[4]

Therefore, any carbon price regime will need to ensure that these companies are not disadvantaged to their competitors. Carbon policy must include leakage mitigation considerations, whereby the cost of the carbon is rebated to the manufacturing company.

III. Communications and correspondence

All communications and correspondence concerning this application, including all service of pleadings and notices, should be directed to the below individual.

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[4] Source: National Employment, U.S. Bureau of Labor Statistics (BLS), www.bls.gov