

# **EPA Clean Power Plan**

Hearing: “The Administration’s Climate Plan:  
Failure by Design”

House of Representatives

Committee on Science, Space and Technology

September 17, 2014

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President

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My name is Paul Cicio and I am the President of the Industrial Energy Consumers of America (IECA), a non-profit trade association whose member companies have over \$1.0 trillion in annual sales and with more than 1.4 million employees.

The companies that I represent are energy-intensive and trade-exposed (EITE) manufacturing companies which mean that they compete with companies from around the world, and whose competitiveness is largely dependent upon the price of electricity and natural gas.

For these companies, relatively small increases in the cost of energy can have relatively large impacts to their competitiveness and ability to create jobs and exports. Energy intensive industries consume over 81 percent of the energy of the entire manufacturing sector.

Examples include chemical, plastics, nitrogen fertilizer, iron and steel, aluminum, glass products, paper, food processing and cement. These products are the raw materials necessary to produce everything that US consumers require in daily life.

IECA companies support responsible cost-effective action to address climate change. In fact, the industrial sector is the only sector in the U.S. with lower GHG emissions than in 1973.

However, unilateral climate action by the U.S. that results in increased energy costs can disadvantage manufacturers and damage competitiveness and result in job losses. The U.S. cannot go it alone and expect that our actions will have a meaningful climate impact in a world economy that is using more coal and other fossil fuels every day.

For example, the EPA says that the proposed rule would reduce 730 million metric tons of carbon by 2030. China increased its emissions nearly that amount in one year. From 2010 to 2011, China's CO2 emissions rose by 705 million tones. We compete with those Chinese companies.

The key message that we want to deliver is that we are very worried that the rule would substantially increase electricity and natural gas costs and create reliability problems putting the manufacturing sector at risk and good paying jobs for a relatively small global climate impact.

The rule would substantially reduce use of coal fired generation. Coal fired power is a low cost and reliable source of electricity. Importantly, coal competes with natural gas on a Btu basis and helps to keep electricity prices from rising.

The rule would increase dependency on natural gas for power generation. Natural gas is delivered in real time, not stockpiled like coal and the winter of 2014 demonstrated how over-reliance on natural gas generation led to reliability issues on the gas transportation grid and impacted electric grid reliability...and spiking prices for both.

The rule would also increase reliance on renewable energy. Renewable energy can be very expensive and is also unreliable because the sun does not always shine nor does the wind

always blow. Plus, electricity cannot be stored. Our manufacturing facilities operate 24 hours a day seven days a week and for this reason, we cannot rely upon wind and solar renewable energy.

Grid reliability problems lead to electricity curtailment of manufacturing facilities and can cost tens of thousands of dollars for small facilities and tens of millions of dollars for larger facilities. This is especially troublesome during peak demand periods.

Electrical outages can damage if not destroy equipment and the products. And, most importantly, reliability is a serious safety issue for our employees. All regulatory and energy costs of this rule will be passed onto us the consumer. Of great concern is that the GHG rule is only one of several recent EPA rules that impose costs and these costs are additive and are increasing electricity prices.

The Clean Power Plan will substantially increase the cost of electricity and natural gas. According to the EPA, the GHG rule will increase industrial electricity prices by \$2.2 billion each year or \$37.4 billion by 2030. When added to the EIA AEO 2014 electricity forecast for industrial electricity...prices will rise 154 percent by 2030.

This means that from 2013 to 2030, a 17-year period, industrial electricity prices will increase an average of 9.1 percent each year. This is in contrast to the previous seventeen year period (1996 to 2013), where prices increased only 48 percent or 2.8 percent per year.

On natural gas, the EPA estimate is that prices will increase up to 12 percent and when added to the EIA AEO 2014 forecast, the price of natural gas is forecasted to rise by 164 percent by 2030.

As electricity and natural gas prices rise, manufacturing facilities lose the ability to compete and will be forced to move offshore. This is what happened from 2000 to 2008 when over 40,000 manufacturing facilities shut down and over three million jobs were lost. When this happens, both good paying jobs and GHG emissions move offshore. This is referred to as “carbon leakage.”

Forcing energy intensive manufacturing companies offshore because of higher energy costs accomplishes nothing environmentally and damages the domestic economy and employment. For this reason, EITE industries will need carbon allowances and border adjustments to prevent GHG leakage. We urge the EPA to acknowledge these realities just as the Waxman-Markey bill did, the EU ETS and the state of California.

It is for this reason that we have requested that the EPA perform a “carbon leakage” analysis to assess the cost impacts on our industries. Any “carbon leakage” costs should be subtracted from the EPA’s benefit calculations.

Because the proposed rule regulates GHG emissions outside the fence line, it sets an impossible precedent for future regulation of GHGs for the manufacturing sector.

The rule's precedent could require industrials to reduce GHG amounts that are above what could be reduced by our manufacturing facilities using technology, equipment and practices, and be required to accept responsibility to achieve higher GHG reductions by reducing emissions outside-our-fence line.

For manufacturers, that could mean reducing the GHG emissions of our customers. Our customers are all over the world, not just in the U.S. And, it imposes costs that our global competitors do not have.

Thank you.