



Pennsylvania Manufacturers' Association

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Testimony before the:
Pennsylvania State Senate
Environmental Resources and Energy Committee
Community, Economic, and Recreational Development Committee

Joint Public Hearing: Economic Impacts of RGGI

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Good afternoon, Chairman Yaw, Chairwoman Comitta, Chairman Yudichak, Chairwoman Cappelletti and esteemed members of the Senate Environmental Resources and Energy Committee, and the Senate Community, Economic and Recreational Development Committee. I am Carl A. Marrara, Vice President of Government Affairs for the Pennsylvania Manufacturers' Association (PMA). Founded in 1909 by Bucks County industrialist Joseph R. Grundy, the Pennsylvania Manufacturers' Association is the nonprofit, statewide trade organization representing the manufacturing sector, it's 540,000 employees on the plant floor, millions of additional jobs in supporting industries, and more than \$92.3 billion in gross state product in Pennsylvania's public policy process.¹ PMA's mission is to improve Pennsylvania's economic competitiveness by advancing pro-growth public policies that reduce the baseline costs of creating and keeping jobs in our commonwealth.

I need to begin this hearing with how I finished the very first hearing that occurred on the issue of the Regional Greenhouse Gas Initiative (RGGI). In early February of 2020, just a month before the COVID-19 pandemic changed the way we live and work, PMA was asked to testify on Governor Wolf's attempt to unilaterally enter Pennsylvania into this multi-state compact. Of course, as we've learned more, and now as the RGGI auction price has quadrupled², we are even more concerned and opposed to Pennsylvania's participation in RGGI.

At the conclusion of that initial hearing, PMA's testimony included the following statement:

By entering RGGI, industrial activity will be relocated, and who knows where it will go...Let's not drive that activity back across our borders into neighboring states, or worse, foreign countries. It's not a stretch to say that by supporting RGGI you're supporting Russian and/or Middle Eastern global energy leadership and Chinese steel-dumping. Let's work with our industries to invent, innovate, and forge a clean, healthy, and sustainable environment – not overregulate our many vital industries out of existence.³

So now, here we are, two and a half years later, coming out of a pandemic, facing historical levels of inflation, and most recently, confronting a highly uncertain geopolitical situation in Eastern Europe; with a high probability of global involvement from the middle east with numerous U.S. intelligence reports of Russia soliciting assistance in their war against Ukraine from China and others. Western Europe and North America are actively disentangling from Russian energy, but it was just four years ago that Russia began supplying Massachusetts and the New England states, which are all coincidentally members of RGGI, with liquified natural gas. New England states were facing some of the most brutal winters and were paying some of the highest energy bills in the world. Even the independently rated left-leaning⁴ Boston Globe Editorial Board took note when they penned a piece titled "Our Russian 'Pipeline', and Its Ugly Toll," in February of 2018 in which they penned:

To build the new \$27 billion gas export plant on the Arctic Ocean that now keeps the lights on in Massachusetts, Russian firms bored wells into fragile

¹ National Association of Manufacturers. State Manufacturing Data – Pennsylvania. 2022. <https://www.nam.org/state-manufacturing-data/2021-pennsylvania-manufacturing-facts/>

² Regional Greenhouse Gas Initiative. Auction Results. 2022. <https://www.rggi.org/auctions/auction-results>

³ PA Manufacturers' Association. February, 2020. <https://www.pamanufacturers.org/blog/regional-greenhouse-gas-initiative-flawed-proposal-pennsylvania>

⁴ AllSides Media Bias Rating. Last updated: 2021 review. <https://www.allides.com/news-source/boston-globe>

permafrost; blasted a new international airport into a pristine landscape of reindeer, polar bears, and walrus; dredged the spawning grounds of the endangered Siberian sturgeon in the Gulf of Ob to accommodate large ships; and commissioned a fleet of 1,000-foot icebreaking tankers likely to kill seals and disrupt whale habitat as they shuttle cargoes of super-cooled gas bound for Asia, Europe, and Everett.

But apart from its geopolitical impact, Massachusetts' reliance on imported gas from one of the world's most threatened places is also a severe indictment of the state's inward-looking environmental and climate policies. Public officials, including Attorney General Maura Healey and leading state senators, have leaned heavily on righteous sounding stands against local fossil fuel projects, with scant consideration of the global impacts of their actions and a tacit expectation that some other country will build the infrastructure that were too good for.

As a result, to a greater extent than anywhere else in the United States, the Commonwealth now expects people in places like Russia, Trinidad and Tobago, and Yemen to shoulder the environmental burdens of providing natural gas that state policy makers have showily rejected here. The old environmentalist slogan "think globally and act locally" has been turned inside out in Massachusetts.⁵

The environmental movement has changed from reform to obstruction. Obstruction of domestic energy production doesn't lessen our dependence on energy. Instead it shifts energy production to other locations and there is nothing environmentally friendly about relying on Russia, China, and Saudi Arabia for our energy needs when we can do it much cleaner here.

Pennsylvania can and should be powering our domestic partners in the Northeast, and under the status quo, we are. In fact, Pennsylvania is the number one energy exporter in the United States.⁶ However, if RGGI is successfully implemented we face the closure of five coal-fired power plants; facilities that have just invested billions of dollars in environmental mitigation to be current with every state and federal clean air quality standard. With the quadrupling of the RGGI auction price, natural gas power plants, which have contributed to twenty percent⁷ reduction in overall greenhouse gas emissions in our Commonwealth, will be threatened too. Since Governor Wolf first proposed RGGI in 2019, not a single natural gas fired power plant has been proposed for construction in Pennsylvania. Unfortunately, several have been constructed in that time just across our borders in West Virginia and Ohio. What this will do to overall reliability is uncertain, but it cannot be good news. Our days as an energy exporter will surely be over.

⁵ Editorial Board, Boston Globe. February 12, 2018. <https://www.bostonglobe.com/opinion/editorials/2018/02/12/our-russian-pipeline-and-its-ugly-toll/K0wQ7FBTGR756DqorYkwxN/story.html>

⁶ Gough, Paul. Pittsburgh Business Times. March 14, 2022. <https://www.bizjournals.com/pittsburgh/news/2022/03/14/pennsylvania-electricity-exporter.html#:~:text=1%20electricity%20exporter%20among%2050%20states,-Email&text=Pennsylvania%20exported%20more%20megawatt%20hours,by%20the%20Independent%20Fiscal%20Office.>

⁷PA Department of Environmental Protection. PA Greenhouse Gas Inventory Report. 2020. <https://files.dep.state.pa.us/Energy/Office%20of%20Energy%20and%20Technology/OETDPortalFiles/Climate%20Change%20Advisory%20Committee/2020/Pennsylvania%202020%20GHG%20Inventory%20Report.pdf>

There are hosts of issues that can and should be explored in this hearing, and that have been pointed out throughout the regulatory process, but there's simply not enough time. Issues such as: constitutionality and the powers of the executive branch in our commonwealth to enter into multistate accords⁸; or the fact that RGGI implements an unconstitutional tax as opposed to a fee, as has been acknowledged in various legislative hearings⁹; or the questionable modeling based on grossly outdated auction pricing by DEP and other government sources as it pertains to costs associated with RGGI¹⁰; or the problematic discovery that organizations involved in DEP's environmental impact analysis were listed as co-signers on advocacy material in support of RGGI; ¹¹ or the lack of hearings held directly in PA's most impacted communities and the proper advertisement of the virtual meetings that did occur that were not consistent with Air Pollution Control Act standards¹²; or the fact that DEP has stated that RGGI auction prices would not rise above \$3.00 per credit before 2030, yet the most recent auction was settled at \$13.50 per ton.¹³ At best these aforementioned situations are a lack of foresight and planning, at worst it's manipulation and corruption. However, this is precisely why the legislative process, that was avoided by Governor Wolf and DEP in its entirety, is so vitally important. Everything about this proposal is riddled in controversy but has been bulldozed at full-steam despite bipartisan and institutional opposition. Today, we have chosen to focus on the national, and international, implications of this dangerous policy given the strife and turmoil we face at this hour.

Senators, you are policy makers for your constituents, and we understand that. However, you are also setting policy at the state level for all Pennsylvanians. There are more than 8,000 predominantly union, family sustaining jobs that will be uprooted when RGGI goes into effect. Thousands of indirect and induced jobs in these most impacted communities depend on this industry. Manufacturers, the engine that drives our Commonwealth's economy, will be paying significantly more for energy – the lifeblood of their operations. These operations will then seek to locate and expand in other states, placing Pennsylvania's population decline on an even steeper downward trajectory. It does not have to be this way.

As you set energy policy for all Pennsylvanians, these decisions at the state level will have national and global implications. Ultimately, Pennsylvania energy leadership is American energy leadership – and American energy leadership is essential to stabilize the geopolitics of the world. Pennsylvania is perhaps the most regulated, safest, and provides the best working conditions of any energy producing state or nation. Both economically and environmentally, it is the smartest choice to want that activity to happen here as opposed to elsewhere in the world. RGGI is the anthesis of this idea and we urge you to do everything in your power to reject Governor Wolf's unilateral entry into this multi-state compact.

⁸ Holtzman, Anthony. PA House hearing: <https://s3.us-east-2.amazonaws.com/pagopvideo/584677536.mp4>

⁹ PA Senate Appropriations Committee Hearing. March, 2022. <https://fb.watch/bMzSF8xftF/>

¹⁰ Regional Greenhouse Gas Initiative. Auction Results. 2022. <https://www.rggi.org/auctions/auction-results>

¹¹ Smith, Christen. The Center Square – Pennsylvania. July 29, 2020. https://www.thecentersquare.com/pennsylvania/senator-raises-questions-about-pennsylvania-dep-consultant/article_2961ce44-d1e0-11ea-a01e-4323863348fc.html

¹² PA News Media Association. January 14, 2021. file:///Users/carlmarrara/Downloads/1.14.2021_RGGI_Comments_PNA_Simpson.pdf

¹³ PA Department of Environmental Protection. Rules Analysis Form, (Table 7, p. 48).