Industrial Energy Consumers of Pennsylvania

The Voice of Large Energy Consumers

The Industrial Energy Consumers of Pennsylvania (IECPA) is a trade association of energy intensive large manufacturing companies with over 25,000 employees across the state. ***Our issue is not with the underlying goals of reducing carbon emissions, but rather the unnecessary cost that would be imposed on electric generators in Pennsylvania associated with a carbon cap and trade program like the Regional Greenhouse Gas Initiative (RGGI). A RGGI program will increase the cost of electricity to Pennsylvania residents, commercial businesses and large energy intensive, trade exposed manufacturers.***

According to a study by the Penn State Center for Energy Law and Policy:

"Pennsylvania ratepayers pay higher prices and lose whereas Pennsylvania generators gain."[1]

	2022	2026	2030	Cumulative*
Pennsylvania:				
Baseline Average Electricity Price** ($/MWh)	$ 32.84	$ 32.70	$ 32.76	$ 32.79
Change from PA Joining RGGI	$ 2.01	$ 2.27	$ 3.61	$ 2.56

[2]

IECPA member companies operate manufacturing facilities with significant expenditures dedicated to electricity costs. Moreover, because these manufacturing businesses are 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. For these companies, unless they are protected from the increased energy cost from the RGGI program, this places them at a competitive disadvantage to facilities in others states and countries that do not incur the cost of a RGGI like program. This will result in manufacturing moving production and the associated jobs out of Pennsylvania.

According to the National Association of Manufacturers[3], manufacturers in Pennsylvania account for 11.89% of the total output in the state, employing 9.33% of the workforce. Total output from manufacturing was $93.75 billion in 2018. In addition, there were an average of 565,000 manufacturing employees in Pennsylvania in 2019, with an average annual compensation of $75,948.

For an average IECPA member manufacturing facility, the projected $2.56/MWh increase in electricity price would result in an increased operating cost of approx. 1.2 Million Dollars per year. That's equivalent to the compensation of 16 well paid manufacturing jobs at one single facility along with an additional 80 indirect supporting jobs![4]

[1] Penn State's Center for Energy Law and Policy Webinar: Joel Landry, John and Willie Leone Family Department of Energy and Mineral Engineering, "What does RGGI mean for energy costs and the power grid in Pennsylvania?", October 2, 2020

[2] Prospects for Pennsylvania in the Regional Greenhouse Gas Initiative - Working Paper, Penn State Center for Energy Law and Policy, December 2020

[3] https://www.nam.org/state-manufacturing-data/2020-pennsylvania-manufacturing-facts/

[4] National Association of Manufacturers *calculations using 2018 IMPLAN data*

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Pennsylvania has already taken steps and passed laws to increase renewable energy supply and improve energy efficiency. Since the beginning of the Act 129 Energy Efficiency & Conservation Program (EE&C) in June 2009, utility customers have paid more than 2 billion dollars into this program. For manufacturing customers this current EE&C Program cost has been as much as 36% of the bill from the electric distribution utility. Pennsylvania has also established the Alternative Energy Portfolio Standard (AEPS) which requires utilities and electric generation suppliers to increase renewable electric generation. ***More importantly Pennsylvania's competitive electricity market continues to add lower carbon dioxide emitting generation while decreasing cost to customers!***

Due to these existing programs and electricity market structure, carbon dioxide emissions in Pennsylvania have decreased just as much on a percentage basis as the other states participating in RGGI and have decreased MORE than other RGGI states on an absolute basis without the added cost of the RGGI program!

Table 2. State energy-related carbon dioxide emissions by year, adjusted (2005–2016)
million metric tons of carbon dioxide

State	Change (2005–2016) Percent	Absolute
Connecticut	-23.0%	-10.3
Delaware	-21.5%	-3.7
Maine	-29.6%	-7.0
Maryland	-30.6%	-25.5
Massachusetts	-24.8%	-21.3
New Hampshire	-36.0%	-7.8
New York	-22.7%	-48.3
Pennsylvania	-22.8%	-64.7
Rhode Island	-13.9%	-1.6
Vermont	-13.5%	-0.9

Source: United States total, *Monthly Energy Review*,

Source: EIA, State Energy Data System, and EIA calculations made for this analysis.

The ICF RGGI modeling compares a policy case of Pennsylvania joining RGGI versus a reference case of not doing so. The reference case forecasts total CO2 emissions PJM-wide, through 2030, to be 3,885 million tons; the policy case forecasts 3,798 million tons through 2030. ***This is only a net reduction of 86.9 million tons or a mere 2% difference of the cumulative emissions in PJM projected to occur over the next decade***.[5]

Due to the existing programs and electricity market structure, carbon dioxide emissions in Pennsylvania have decreased just as much on a percentage basis as the other states participating in RGGI and have decreased MORE than other RGGI states on an absolute basis without the added cost of the RGGI program!

[5] PA Chamber comments re. CO2 Budget Trading Program (50 Pa.B. 6212), January 14. 2021

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