

**Testimony of  
Paul N. Cicio  
President  
Industrial Energy Consumers of America**

**“Green Jobs and Trade”**

**Before the Subcommittee on Green Jobs and the New Economy  
Senate Committee on Environment and Public Works  
February 15, 2011**

Chairman Sanders and Ranking Member Boozman, thank you for the opportunity to appear before you. My name is Paul Cicio and I am the President of the Industrial Energy Consumers of America (IECA).

IECA is a nonpartisan association of leading manufacturing companies with \$800 billion in annual sales and with more than 750,000 employees nationwide. 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: plastics, cement, paper, food processing, brick, chemicals, fertilizer, insulation, steel, glass, industrial gases, pharmaceutical, aluminum and brewing.

**Key points:**

**1. Renewable energy has an important role to play in our energy future but not thru mandates and subsidies that raise the price of electricity.** For example, wind is the most economical and largest source of new renewable energy is 80 percent more costly than electricity generated using natural gas, according to the Energy Information Administration. Offshore wind is 130 percent more expensive. Neither number includes the additional cost of the 2.1 cents/kwh for the Production Tax Credit. Even at this high price, wind is by far the least expensive renewable energy among the choices of solar PV, solar thermal and geothermal. Electricity users pay twice, once through higher electricity prices and a second time through federal renewable energy subsidies. Even what may seem like a relatively small increase in the price of electricity can add up quickly. For example, a price increase of only one cent/kwh nationally would impose a \$37.5 *billion* increase on U.S. consumers.

**2. The high cost of operating in the US, including the higher electricity costs from renewable energy is contributing to job losses to the manufacturing sector and in existing green industry.** When viewing renewable energy job creation, policy makers have failed to look at “net” job impacts. That is, jobs created by renewable energy production minus jobs lost from other manufacturing sectors because of higher electricity costs.

**3. There are more cost effective ways to substantially improve the environment and create jobs than promoting greater quantities of expensive renewable energy.** For example, it is better to create jobs by saving energy with efficiency than by increasing the cost of energy with renewable energy. Energy efficiency should always come before renewable energy; otherwise, we are just needlessly increasing the amount of energy we are wasting.

An example of a better alternative is IECA's "Sustainable Manufacturing & Growth Initiative" (SMGI). SMGI is a set of policies to revitalize the manufacturing sector by increasing energy efficiency. The policies are designed to encourage companies to spend capital right away, in the US and create good paying jobs.

The University of Maryland modeling results indicate the SMGI will create 3.2 million job years in ten years, reduce 10 percent of US GHG emissions, increase GDP by \$389 billion and result in \$407 billion in private fixed investment.

**4. It is important to change the definition of what is a green job.** Green jobs are being defined as wind/solar type jobs. This definition ignores the market realities that a very significant number of product production processes and products that are "green" receive no recognition and do more to contribute to sustainable jobs and a clean environment than renewable energy.

**5. Wind/solar is not a real market and does not provide sustainable jobs.** Real markets are driven by real supply and demand. Today's renewable energy market exists primarily because of state or federal government mandates and subsidies. Otherwise demand and jobs would decrease substantially.

**6. Lowering energy costs, barriers to investment, lowering regulatory costs and providing regulatory certainty to the broader manufacturing sector to increase jobs - should be the priority – not niche markets such as wind/solar type green jobs.** Lowering the broader manufacturing industry's costs will potentially create a competitive sustainable low cost renewable energy industry.

**7. So long as renewable energy remains substantially more expensive than conventional power generation, it should be utilized to serve customers who are in regions where it is too expensive to build transmission lines from conventional power plants.** Instead, misguided policy makers are proposing enormously expensive long distance power transmission lines to access regions with high wind or solar potential. The high cost of new transmission makes renewable energy even more expensive.

**8. All renewable electric generation and transmission costs are passed onto home owners, farmers and manufacturers.** High costs of renewable energy do not impact an electric utility's profitability.

**9. Essential ingredients to achieving the "new economy" (increased sustainable jobs and cleaner environment) are low relative costs, an environment conducive to long term capital investment, innovation and cost effective regulations with certainty.**

-----

### **Manufacturing is still on the ropes**

Manufacturing continues to lose competitiveness as evidenced by recent trade data. The Commerce Department reported on February 11, 2011 that exports grew in 2010 by almost 17 percent – but imports rose 20 percent and pushed the annual trade deficit up to almost \$498 billion, a 32.8 percent increase. The largest percent gain in a decade. The trade deficit with China for 2010 reached a high of \$273 billion.

**The priority should be revitalizing the broad-based manufacturing sector**

Our country and the manufacturing sector are locked in global competition with other countries and their manufacturing facilities – and both are losing relative economic ground. Policy makers have taken US economic dominance and the manufacturing sector for granted for a long time and can no longer afford to do so. We must once again become a country that embraces the manufacturing sector with policies that foster capital investment, innovation, low cost energy and regulations that are cost effective and provide certainty.

The focus on “green jobs” is too small and limiting for substantial economic and jobs growth. US policy should focus on supporting policies to reduce energy and regulatory costs and barriers to enhance the competitiveness of the “entire” manufacturing sector. The US needs to be a place where companies want to invest – and today it is not. **Since 1996, manufacturing investment as a share of real GDP fell by 18 percent and is accelerating.** This is a clear indicator that relative to other countries in the world, the US has not been a good place to invest for a long time. Initiatives that support the entire manufacturing sector achieves more bang for the buck and put more people to work with sustainable jobs. If we improve the competitiveness of the manufacturing industry, improved competitiveness will occur in the wind/solar niche markets.

The US should advance policies that result in cleaner air and lower GHGs so long as such policy results in energy that is affordable, reliable and does not raise the cost of electricity and other energy sources. The problem with wind and solar type renewable energy is that it does not achieve any of those criteria despite a very long history of supply side subsidies and demand mandates. And, there is nothing in the horizon that appears to change its outlook. These are costly alternatives.

To compete in “green jobs and trade”, we need a strong manufacturing sector to supply the basic needs of those industry sectors namely: steel, chemicals, glass, paper, rubber, cement, plastics, non-ferrous metals, etc. Essentially all of the products needed for the wind/solar sector and US economic growth are produced by these basic energy intensive product areas. This means that if energy and regulatory costs in the US are too high, domestically sourced materials for the wind and solar industries will have significant difficulty competing.

#### **Green jobs, as defined as wind/solar is a misguided energy and public policy priority**

The debate over green jobs, as defined by wind and solar type renewable energy resources, is misguided energy and public policy and fails to acknowledge real green industries, jobs and alternative solutions to a cleaner environment. Plus, we question that it is the right priority for job creation at this time when better opportunities exist.

#### **US companies are not likely able to compete with government owned company competitors**

The purpose of this hearing is to explore whether the United States is competing with other nations for green jobs. IECA’s response is that yes, we are in competition with other “countries” and “non-US” companies. Heretofore, we are not doing very well and it is very uncertain that we will be able to compete in this area. US companies would be able to compete with other non-US companies (companies that are not state owned) but not with China and other countries with state owned operations. As long as China owns companies and subsidies them and retains a low cost labor force, US public companies will not likely succeed. We hope that there will continue to be some niches of materials or components that US companies are able to sell to Chinese green product providers as part of the value chain. Wind/solar markets, like many

other manufactured products that compete against subsidized state owned providers need fair and equitable trade policies.

### **It is important to change the definition of what is a green job**

Green jobs are being defined as wind/solar type jobs. This definition ignores the market realities that a very significant number of product production processes and products that are “green” receive no recognition and do more to contribute to sustainable jobs and a clean environment than renewable energy. Importantly, these energy efficiency solutions are mostly made in the US. A win-win for jobs and the environment.

A small sampling includes:

- Processes like using combined heat and power that can produce electricity and energy with as high as 80 percent energy efficiency versus a base load electric utility generator at about 32 percent. Distributive generation also reduces transmission line losses.
- Waste heat recovery that is hot stack gases captured and used to produce power is as clean as renewable energy.
- Fiberglass insulation is a cost effective solution for buildings which consume over 40 percent of all US energy. According to the DOE, air sealing and adding insulation to DOE recommended levels can save up to 25 percent of energy costs in homes. Homes account for 20 percent of all direct and indirect electricity use and 20 percent of the GHGs. DOE estimates there are 60 + million homes that are under insulated. Insulating buildings is labor intensive.
- Plastics, aluminum and steel industries are providing light-weight but durable solutions that are used in the transportation sector to improve efficiency.
- The pulp and paper industry produces 65 percent of their electricity needs from renewable biomass.
- Industry practices of using recycled paper, steel, aluminum and glass saves significant quantities of energy annually.
- It is common place in manufacturing facilities to utilize any type of process gas from the manufacturing process as a source of energy in other parts of their facility. Energy is a cost and when it is economic to do so, energy efficiency is employed.

### **Wind/solar is not a real market and does not provide sustainable jobs**

Real markets are driven by supply and demand. Unless state or federal governments set mandates and subsidies, no market would exist at all. Therefore, this is not a real market. If not for mandates and subsidies, this market would have substantial difficulties attracting capital - which does not bode well for sustainable jobs. Real markets provide real investment opportunities for long term jobs creation.

Another perspective is to compare wind/solar to a conventional power plant. Wind/solar field plant operations requires few jobs and mostly for maintenance while a conventional power plant has several full time good paying 24/7 jobs.

### **State Renewable Electricity Standards (RES)**

The higher electricity costs from State imposed RESs are creating competitiveness threats to electric intensive manufacturing jobs. The dilemma is that higher electricity costs can result in manufacturers getting “priced out of market” and it opens the door to low cost subsidized products from places like China. This is another reason why manufacturing companies strongly support letting energy efficiency compete head to head with renewable energy as part of a State

RES. It is sound energy and public policy to let renewable energy compete directly with energy efficiency alternatives and let the low cost option win.

### **Existing and new regulations stymie capital investment and job creation**

IECA companies are not opposed to cost effective regulations that have certainty. Unfortunately, the manufacturing sector is burdened with significant existing and proposed regulation that is slowing and sometimes stopping capital spending in plant expansions and in large energy efficiency projects. Regulations are contributing to a job-less recovery.

The very regulations and practices that are intended to improve the environment actually result in increased global emissions as industry leaves our country in favor of less stringent regulatory climate instead of continuing to operate in the US. The problems these regulations create often manifest themselves in the permitting process.

Everyone expresses concern about permitting and the impact these rules have on our ability to build industrial projects that create jobs and improve people's livelihoods. However, this is not a new problem. Over time, we have created a system that is comprised of endless reviews, hearings, allegations, lawsuits and continued modeling that has turned our permitting process into a slow, frustrating experience that has eliminated the certainty necessary for the allocation of business capital.

This process directly impacts manufacturing but has also impacted our energy costs as conventional low-cost electric generation plant construction projects are continually blocked. Because of the continual halting of permits for new, traditional sources of energy generation and constant promotion of expensive so call "green" energy, we as a nation are essentially pricing ourselves out of the industrial market.

### **EPA GHG regulation puts EPA in charge of industrial policy**

A good example of how regulation is contributing to a job-less recovery is the new EPA GHG regulation that is viewed by manufacturing as putting the EPA in control of US industrial policy.

Under these regulations, the EPA has the ability to set deadlines as to:

- "when" capital must be spent on energy efficiency technology projects, even if the manufacturer says it is not economic to do so;
- "what" energy efficiency projects will be completed, even if it is inconsistent with the scope or timing of other manufacturing production plans or business strategies or priorities;
- "what technology" will be used, even if the manufacturer says the technology is not cost effective or desirable for the type or quality of products that the facility produces;
- what manufacturing "practices" will be used to operate the facility, taking decision making out of the hands of plant managers and into the hands of the EPA.

Thank you.