Testimony of Mike Carey
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Panel 1: Moving to a Clean Energy Economy
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Madame Chairman, Ranking Member Inhofe, and members of the Committee, my name is Mike Carey and I am the President of the Ohio Coal Association. Thank you for the invitation to speak today on such an important and vital topic, the issue of jobs under a Cap and Trade Regime.

In my position with the Coal Association, I not only represent the coal industry, its companies and workers, but also our friends and neighbors in the Appalachian coal communities who depend upon the coal industry for their community's livelihood. According to The Pennsylvania State University, every coal worker supports up to eleven other jobs in their community, from shop keepers and barbers to restaurant workers to railroad employees[1]. The same study showed that every $1 billion in U.S. coal production stimulates a total production of $3.138 billion of production throughout the economy. This means that every dollar of net coal industry production translates into $3.14 of economy-wide output.

Coal workers in Ohio make on average just over $64,000[2], which is approximately $25,000 more than the State average yearly income[3]. So these high paying jobs not only fuel our nation's energy, but also our community's economy and the economy of the entire region.

Recently, the Institute for 21st Century Energy took EIA modeling methods for the Waxman-Markey legislation and updated them to include more realistic assumptions, determining that the EIA's economic analysis was grossly underreported. According to their models, Waxman-Markey will reduce cumulative economic growth by $1.6 trillion from 2012 through 2030, nearly 45% greater than the EIA's analysis. While EIA estimates that Waxman-Markey reduces household personal consumption expenditures by $220, the Institute believes that this number is in fact $630. Finally, the Waxman-Markey bill will cost the American economy 1 million jobs in 2030, of which 440,000 come from the coal-dependent manufacturing sector.

Without a doubt, this legislation which the Committee is considering will devastate our communities, bankrupt our region, cause energy costs to soar across the country, and according to the EPA have almost no impact on global temperatures since China, India and the rest of the developing world will continue to increase their emissions.

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[1] Rose, Adam and Oscar Frias. *The Impact of Coal on the U.S. Economy*. Pennsylvania State University, April 1994 *Updated in July 2006 as, "The Economic Impacts of Coal Utilization and Displacement in the Continental United States, 2015"

[2] According to the National Mining Association. The average Ohio coal miner earns $64,479 http://www.nma.org/pdf/c_wages_state_industries.pdf. By contrast, the Bureau of Labor Statistics estimates that each nonsupervisory coal miner makes $56,836. However, this does not include shift managers and is a nation-wide estimate. http://www.bls.gov/oco/cg/cgs004.htm

[3] According to the Bureau of Labor Statistics' May 2008 Ohio State Occupational Employment and Wage Estimates report: http://www.bls.gov/oes/2008/may/oes_oh.htm#b47-0000

Today I would like to discuss four key points:

1) The promise of a green job economy is a myth, particularly in the coal regions of our country,

2) The impacts of this legislation vary dramatically from Region to Region, with major losers and very few people who might win,

3) The legislation will devastate coal communities, as nothing in this Bill will protect coal workers or allow our country to continue to use our most abundant and cheapest form of domestic energy, coal; and

4) The threat that Congress must act in order to stop EPA is a canard and nothing in this Bill stops EPA from acting.

First, The Myth of the Green Job. To examine this, one need to look no further than the wind turbine facility in Newton, Iowa, where President Obama toured touting the promise of the green job. This facility employs 500 individuals making $13 dollars per hour on average. At first blush that appears good, but then one must consider the fact that the turbine plant is a former Maytag factory which used to employ 1,800 employees making an average of $20 per hour. A net loss of 1,300 employees and $7 per hour equals $18.2 million in lost wages, not to mention the lost tax revenue in Newton that funds schools, police and fire departments, and other public works projects. Many of those lost manufacturing jobs ended up at Maytag's newer facility in Mexico. We believe the continued bleeding of manufacturing jobs to Mexico and other developing countries will hemorrhage under the Kerry-Boxer Climate Bill.

The concept of trying to create "green" jobs is relatively new and few economists so far have studied the concept, but the seminal research was conducted by the Spanish economist Dr. Gabriel Caldaza Alvarez. The underlying, indisputable fact about Spain's Green job program is that the government invested the equivalent of $753,788 for each green job created[4]. I don't think any economist would argue that was a good return on their investment. In addition, the vast number of green jobs Spain created in support of its solar industry over the last ten years are no longer in existence today according to former President Clinton and his Foundation, who reaffirmed these problems in Spain. Last May, in a speech in Madrid, former President Clinton stated Spain's decade-long program to subsidize the creation and continued existence of so-called green jobs through a massive infusion of taxpayer resources "has cost many jobs."

In addition, the definition of "green job" itself is undefined. Let me tell you what a "real" job – a coal mining job - means. It means a steady, above-average wage, benefits and a sense of community as mines last for decades in the same location. Given the above average wages and benefits, coal miners enjoy the highest standard of living in Appalachia. Additionally, if a coal miner owns anything, it's their home, and who are they going to sell their home to if there are no jobs? While I don't oppose the creation of new jobs, I would like to point out that those involved in the construction of solar arrays and wind turbines will develop technical expertise but will also be forced to move or travel to the location of the next project.

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[4] Alvarez, Gabriel Caldaza, *Study of the effects on employment of public aid to renewable energy sources*, Juan Carlos University, March 2009.

In the most comprehensive review of green jobs ever published, entitled "Green Jobs Myths," law and economics professors from the University of Illinois, York College of Pennsylvania, Case Western Reserve University and the University of Texas-Arlington concluded earlier this year that:

- No standard definition of a green job exists;
- Projections of green jobs include huge numbers of clerical, bureaucratic, and administrative positions that do not produce economy-enhancing goods and services for consumption;
- Studies predicting a promising future for green jobs make estimates using poor economic models and rely on dubious assumptions;
- By promoting more jobs instead of more productivity, green jobs are low-paying jobs in less desirable conditions;
- Green jobs require the sort of trade protectionism that would dramatically reduce our standard of living;
- Government-mandated green jobs are inferior to those created by free markets; and
- Green jobs rely on the assumption that significant technological progress can be simply ordered by government regulation ─ something that has never happened in history[5].

The legislation we speak of today does little to correct these problems, and in fact, perpetuates the problems that these noted scholars have outlined. A copy of the aforementioned paper is included as an attachment to my written testimony.

<u>Second, Most Regions Lose Under Cap and Trade.</u> While some areas of the country, such as California, the West coast, and the Northeast, do well under a cap and trade regime, most states and regions do not. For the most part, how well a region fares under cap and trade is based upon the energy intensity and the type of fuels consumed. The entire Midwest, through the Great Plains and the South are more dependent on fossil fuels such as coal, oil, and natural gas. In fact, aside from the two coasts, almost the entire country will see soaring energy costs, lost jobs, and a lower standard of living. This may be why of the 219 votes the Waxman Markey Bill received in the House, 117 of them came from Western coastal states and the Northeast. The cap and trade approach disproportionately impacts everything in between.

At the heart of the regional impact disparity is the three page analysis that EPA prepared for Senator Feingold of Wisconsin which shows that states such as California would receive a windfall at the cost of Midwestern States such as Wisconsin. This analysis was conducted on just one aspect of the Waxman-Markey Bill and I have attached it to my testimony. This three page analysis was attacked by environmental groups such as the Natural Resources Defense Council and the Center for American Progress for being a rushed job and not complete. To that I would counter that EPA's short analysis on the entire Kerry-Boxer Bill is even less complete and raises even more questions about regional impacts. I would hope that this Committee demands a more thorough analysis from EPA so that the members of this Committee and the entire Senate, and most importantly the American people, have a better understanding of what this Bill will do on a regional, State, and local level as well as at the national level.

[5] Andrew P. Morriss, William T. Bogart, Andrew Dorchak, & Roger E. Meiners, "University of Illinois Law and Economics Research Paper Series No. LE09-001: Green Jobs Myths," University of Illinois College of Law.

Looking at my home state of Ohio, I believe that the job market and coal industry will be devastated as jobs get shipped overseas by proposed legislation. By 2030, Ohio jobs decline by a total of 79,700 under low cost case and by 108,600 under high cost case. The major cause of job losses would be lower industrial output due to higher energy prices, and greater competition from overseas manufacturers with lower energy costs[6].

The relative insignificance of U.S. coal industry emissions is further underscored by the fact that developing countries like China, India, Mexico, and Brazil are not, and will not, be obligated to reduce their emissions. The Kerry-Boxer bill does not force developing countries to cut or control their emissions. There is no international treaty that forces them to cut or control their emissions. Even if there were such a treaty in the future, the reality is that there is no way to enforce any future emissions reductions that developing countries might ostensibly agree to. Moreover, China and India have both expressly and repeatedly vowed <u>not</u> to cut their emissions.

As U.S. companies outsource jobs to China, India and Mexico to avoid the expense of hard emissions caps, they will also outsource their emissions. Kerry-Boxer won't reduce emissions so much as it will simply <u>displace</u> emissions.

<u>Third, There is Very Little in This Bill to Help Coal.</u> The supporters of both the Waxman-Markey and Kerry-Boxer Bills point to provisions that are supposed to encourage carbon capture and storage, or CCS. They claim that the inclusion of some funding for CCS will save the coal industry and coal jobs. While we applaud efforts to include provisions that aid the future and transition of coal into a carbon-constrained economy, nothing could be further from the truth – this bill kills the coal industry.

Simply throwing some funding at CCS is not going to make the technology available prior to 2020 or 2030. In fact the Kerry-Boxer Bill states that it's the Sense of the Senate that CCS needs to be fully deployed by 2030. Unfortunately that comes 18 years too late. Since the reductions begin in 2012, utilities will be forced to start making emissions reductions immediately. Since CCS will not be an available option, they will fuel switch to the more costly natural gas.

I am particularly disturbed by Section 182 of the Kerry-Boxer legislation on "Advanced Natural Gas Technologies." This provision authorizes EPA to carry out a program to provide grants for research and development of advanced technologies, including CCS, that reduce greenhouse gas emissions from natural gas-fueled electricity generation facilities. Legislation should not separate CCS funding by fuel source. This provision redirects CCS funding that should be used to develop general technologies that reduce emissions, but instead picks natural gas as a winning technology while hurting coal interests. CCS should be applicable to all carbon-emitting sources of energy, not for any fossil fuel in particular.

During the House debate we heard the specious argument that free credits to coal-fired utilities will ensure that coal continues to be used. Nothing could be further from the truth. All that free credits to utilities ensures is that they will have the credits to sell which will be used to finance fuel switching from coal to natural gas and permanently maiming the industry that dutifully provides over 50% of the United States' electricity.

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[6] American Council for Capital Formation and National Association of Manufacturers, "Ohio State impacts under Waxman-Markey." http://www.accf.org/media/docs/nam/2009/Ohio.pdf

In reports over the last eighteen months, both the General Accounting Office and the Congressional Research Service have outlined the myriad of public policy problems which need to be addressed in order to make CCS viable. Unfortunately, neither the Waxman-Markey Bill nor the Kerry-Boxer Bill addresses any of those issues in any meaningful way. The most the Bills do is call for reports back to Congress with recommendations on issues such as liability and other environmental issues. Today, the Obama Administration, their allies in Congress and national environmental groups attack the coal industry on multiple fronts including mountaintop mining, section 404 nationwide permits, coal fly ash, wetlands, and new performance standards. Call me skeptical, but it is hard to imagine Congress passing any legislation after cap and trade which makes CCS viable or any environmental organization supporting such legislation. Simply throwing some money at CCS, without addressing the policy issues blocking its development is viewed by our coal miners as a disingenuous attempt to buy their support. They are smart enough to know that if Congress doesn't remove the obstacles now, then they never will.

The issues which need to be addressed regarding CCS include: the implementation of a national pipeline system, including the regulatory framework; the property rights and general liability concerns; and the impact of the other environmental statutes such as the Clean Air Act, Superfund (CERCLA), the hazardous waste laws (RCRA), and the Safe Drinking Water Act. All of these issues have been enumerated in many reports including the previously mentioned GAO and CRS reports. While we certainly support and appreciate funding for projects that will contribute to the utilization of coal, Congress should not adopt climate legislation today that relies on technology and policy that is not neither deployable nor fully-developed.

<u>Fourth, Scaring People with the Threat of the EPA is a Canard.</u> Whether or not EPA acts to regulate carbon dioxide is a policy decision by the Obama Administration, and the Obama Administration can decide not to act. The Supreme Court ruled in Massachusetts v. EPA only that EPA *may* regulate carbon dioxide, not that it *must*. Furthermore, there are no provisions in the Kerry-Boxer Bill which will prohibit EPA from acting in addition to whatever legislation Congress passes. Those Senators who have stated that Congress must act in order to prevent EPA from acting are ignoring the fact that if the Kerry-Boxer Bill passes, then the American public will have the cap and trade regime on top of whatever regulatory decisions the Obama Administration decides.

The American public will not be fooled with Congress blaming EPA and EPA blaming the Supreme Court. If those members of Congress who are concerned with what EPA might do, then they need only pass a simple one sentence amendment to the Clean Air Act prohibiting such actions and codifying the intent of the authors of the 1990 Clean Air Act amendments that the legislation does not, in fact, cover carbon dioxide. Likewise the Obama Administration has great leeway under the Clean Air Act in terms of public health, which is specious at best, and welfare. In addition, the court case only spoke in terms of mobile sources, not stationary sources, and as far as the endangerment finding is concerned, EPA is making all of the decisions while trying to say they have no choice or options. If Congress does not want EPA to regulate CO_2 under the Clean Air Act, then Congress can stop EPA from doing so, instead of avoiding the serious debate that Senator Murkowski tried to have on the Senate floor. In that case we saw the Majority leadership stifle the debate and the EPA Administrator make unsubstantiated claims as to the impact and effect of the amendment. Furthermore, if this climate legislation is intended to supplant EPA's authority, then why does it not do so? The Kerry-Boxer Bill does not limit, stop, or otherwise curtail EPA's authority to regulate CO2.

Having a cap and trade mechanism destroys the coal industry. Duplicative regulations in addition to a legislatively-mandated program provides no opportunity for the coal industry to even make a stand and protect ourselves, our clients, and the American public who uses our low-cost electricity.

Adopting cap and trade legislation, with a simultaneous Renewable Electricity Standard (RES), effectively double taxes states like Ohio with limited access to renewable resources and a heavy reliance on coal. From the RES alone, industrial, coal-dependant states like Ohio could be looking at 20 percent electricity rate increases (affecting as many as 70% of electricity consumers) to cover the costs of power utilities being forced to up their purchases of renewable energy. When you layer on the costs of the cap and trade programs, the cost increases could be staggering. At this time, no government agency has done a thorough analysis of these multiple components together like in the Waxman-Markey bill, instead releasing cap and trade-only analyses.

A federal RES will result in a transfer of wealth negatively impacting Ohio because it is currently dependent on coal. States with the Congressionally-preferred resources will unduly benefit from the mandated purchase of credits by those without these resources in addition to the windfalls they would receive under a cap and trade program. State RES programs are designed with the resources of the geographic region in mind, while Congressional proposals we have seen greatly restrict the definition of "renewable" energy and do not factor in regional discrepancies.

In conclusion, the Kerry-Boxer Bill will end the use of coal as the lowest cost source of domestic energy because it relies upon technology that is at least fifteen to twenty years away at best, while at the same time not accomplishing anything real in terms of making that technology a real option. This will cause real hardship and a loss of jobs and a massive reduction in the standard of living for communities, States and regions across our country. Our coal miners and the members of our communities are not fooled by the empty promise of green jobs which will not occur in their towns or region, nor are they fooled into believing that Congress and the Obama Administration has no choice but to regulate us out of work.

Shutting down the entire U.S. coal industry for 100 years would only change atmospheric CO_2 levels over that time on the order of 3 percent — about the difference between CO_2 levels today and about 5 or 6 years ago. The EPA has made public a similar calculation. In response to a question at a Committee hearing earlier this year, EPA Administrator Lisa Jackson admitted that curbing U.S. greenhouse gas emissions without international cooperation would have no significant impact on atmospheric carbon dioxide levels.

We encourage Congress to consider these basic philosophies while debating climate change legislation:

1. Do not stigmatize and penalize business or consumer energy use;
2. Do not unfairly favor one form of energy over another;

3. Do not make energy needlessly expensive, especially during a time of economic decline and high unemployment;
4. Do not create policies that kill existing jobs and attempt to replace them with lower-paying jobs; and
5. Ensure that legislation actually protects the environment in quantifiable metrics.

We also encourage Congress to seek the best possible economic analyses of its legislation.

We believe that coal has an excellent future in the United States and will continue to provide high-wage jobs and low-cost electricity. According to the Energy Information Administration, the United States reserve of recoverable coal amounting to 262 billion short tons of coal[7]. With a production and consumption rate of 1.2 billion short tons of coal per year, our reserve base is over 3 times larger than the natural gas reserves[8] and can provide hundreds of years of low-cost electricity and manufacturing power. Thank you for your time and I look forward to any questions.

[7] http://www.eia.doe.gov/cneaf/coal/reserves/reserves.html. Please note that a short ton is 2000 lbs. A metric tonne is 2204 lbs.

[8] As expressed in a barrel of oil (BOE) equivalent, coal's 262 billion short tons of reserves equates to 903.9 billion BOE, while natural gas's 1400.4 trillion cubic feet of reserves is only equal to 248.2 billion BOE. Congressional Research Service, "Terminology, Reporting, and Summary of U.S. Fossil Fuel Resources," October 20, 2009.