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Committee on Environment and Public Works, United States Senate

S. 1733, the Clean Energy Jobs and American Power Act

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My name is Robert Winger and I am the President of International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, Local 11, located in Helena, MT. On behalf of the members of my union and our union's International President Newton B. Jones, I want to thank Chairman Boxer, Senator Baucus, and the Members of the Committee for the opportunity to testify at this important hearing.

I have been a boilermaker for more than 25 years. During that time I have played a role in building eight coal-fired power generation facilities, and been involved in the maintenance and repair of many others. In addition, I have experience in the installation and maintenance of pollution control technology, such as selective catalytic reduction units to reduce NOx emissions and SO_2 scrubbers. A union job building power generation systems and air pollution control technology enabled me to put two daughters through college.

Our union greatly appreciates the work of Chairman Boxer and Senator Kerry, and all the Senators who contributed to the Clean Energy Jobs and American Power Act of 2009. This legislation is a critically important first step toward enacting a comprehensive policy that will enhance American energy security, begin reducing emissions that cause global warming, and, most importantly for our union, create high-quality job opportunities for American workers. The hearings being held this week represent tremendously important progress toward addressing the biggest environmental challenge of our day.

<u>Establishing Environmental and Economic Certainty</u>

The lack of a clear, comprehensive policy on global warming and the uncertainty associated with the future regulation of greenhouse gases is an economic issue that must be addressed. The uncertainty associated with our nation's energy and climate policy has prevented and delayed much need investments that would put people to work and aid in our nation's economic recovery. Regulating carbon emissions is not without cost. However, the status quo is nothing short of unacceptable. The Senate must demonstrate bipartisan leadership and develop the kind of solutions that will provide certainty, control costs, and encourage job-creating investments in clean energy technology.

For example, in Montana, the planned construction of a 250 MW fluidized-bed coal-fired power plant was forced to be cancelled in the face of legal challenges and an uncertain regulatory environment. The plant would have been among the cleanest in the nation for those pollutants already regulated by the Environmental Protection Agency. In addition, the developers at Southern Montana Electric were willing to commit that the plant would be equipped with technology to capture and store carbon emissions, when such technology was commercially available.

When the project was cancelled, the developer cited the "aura of uncertainty" surrounding U.S. regulation of carbon dioxide as a key factor in their decision. The result was that instead of a plant that would have employed 160 boilermakers for four years, the developer is building a natural gas power plant that will employ four boilermakers for three weeks. Had the legislation we are discussing here today been law, there would have been no questions or doubts about the subsequent installation of carbon capture and storage technology (CCS). It would have been required when the technology was available, and the concerns of at least some of the most vocal objectors to the plant being built would be addressed.

Unless Congress acts, regulated entities will continue to delay investments, and continue to put off job creation opportunities available in clean energy technology. Without clear policies regarding performance standards and emissions limits – including appropriate incentives for the installation of new technology – we could miss an opportunity to make the United States the leader in advanced coal-technology development, an undertaking that is essential to meeting any significant global effort to reduce emissions. In fact, the economic incentives provided under S. 1733 will result in a new generation of energy technology that is cleaner, more efficient and essential to maintaining reliable, affordable energy from coal plants, while reducing emissions that cause climate change.

Ensuring a Future for Advanced Low-Carbon Energy from Coal

This legislation rightfully recognizes the importance of widespread deployment of carbon capture and storage technology to our nation's energy future. I want to thank Senator Carper, Senator Baucus and the other Senators involved in the development of the provisions of this legislation designed to encourage the early, and widespread deployment of CCS technology at coal plants, including new generating capacity and retrofit applications. The deployment of this technology will not only have tremendous environmental benefits, but also will have employment and economic benefits for workers in the building and construction trades, and other industries engaged in CCS development.

First, the performance standards for new coal fired power plants are clear and straightforward. Under the Chairman's mark, plants constructed between January 1, 2009 and 2019 must achieve a 50% reduction in emissions. This requirement will apply to units within four years of certification by the Administrator of the Environmental Protection Agency that there exists commercial scale application of CCS technology at 10 gigawatts of new or treated retrofit electric generating units and industrial sources.

The date by which this requirement takes effect may be extended to 2022 upon determination by the Secretary of Energy and EPA Administrator that such a delay is appropriate. The performance standard also provides for unit specific extensions to provide additional flexibility for units facing technical difficulties in complying with these requirements.

We appreciate that the threshold for the application of this performance standard has been extended beyond what was provided for in H.R. 2454, as the application of CCS technology will require some learning through experience. However, just as the costs and engineering challenges associated with the installation of NOx and SO_2 emissions control technology have become more manageable as our experience has increased, we are optimistic that so will the challenges of commercial CCS deployment.

We also strongly support the inclusion of Sec. 125 of the bill, the Carbon Capture and Sequestration Demonstration and Early Deployment Program. This section creates the Carbon Storage Research Corporation to establish and administer a program to speed the commercial availability of CCS technology. Through revenue collected from a small assessment on distribution utilities for fossil fuel based electricity, the Corporation will fund no less than five commercial scale CCS projects. This program will provide a kick-start to our country's effort to commercialize this essential climate solution.

Finally, our union cannot overstate our support for the inclusion of the bonus allowance program established under Section 780, to provide financial incentives and assistance for the commercial deployment of carbon capture technology. Providing for the advance payment of bonus allowances will provide the financial certainty necessary for utilities to undertake these capital intensive, yet vital projects. It will encourage CCS applications at both new and existing units, and provides incentives for early adopters and projects achieving the highest rate of capture and sequestration. Also, this legislation expands the availability of fixed payments for CCS projects to a greater number of projects, increasing both its environmental and employment benefits. Providing these bonus allowances to cover the entire marginal increase in costs between an advanced coal plant with CCS and a standard, supercritical pulverized coal plant should support widespread adoption of this technology without a significant increased cost to ratepayers.

Let me stress again, that these well designed and thoughtful provisions related to CCS will not only enable significant emissions reductions from the power generation sector, it will have enormous economic and employment benefits, creating job opportunities for millions of skilled workers in the building and construction trades. The construction of coal based generation facilities and CCS technology is tremendously labor intensive, requiring the skills from a wide range of crafts. While any construction employment is by its nature "temporary", CCS projects will be long-lasting job opportunities for workers who are engaged in construction of this technology.

The Boilermakers and other unions whose members rely on coal-fired power for employment recently commissioned a study conducted by BBC Research and Consulting to illustrate the potential jobs and other economic benefits of advanced coal-fuel electric

generation using CCS technologies. The study found that the economic benefits from construction of a single 540 MW pulverized coal plant with CCS include employment benefits during the construction phase total nearly 14,000 job-years, with additional annual benefits from operations and maintenance totaling 250 permanent jobs. Similarly, the study found that the job creation potential – including both direct and induced employment – of 20 GW of advanced coal facilities with CCS is 1.4 million job-years. The vast majority of these jobs would be created in the construction sector.

In sum, it is clear that the early deployment and bonus allowance programs for CCS included in S. 1733 will be a major driver for job creation. Any craftsmen will tell you these kinds of projects help not only workers directly employed, but also the businesses in the surrounding community. These projects will provide tremendous economic stimulus in the communities where they take place. I look forward to the day when the Members of Local 11 collect a paycheck thanks to a projected supported by these important provisions, and can be proud that we played a role in controlling carbon emissions from coal plants.

Commitment to High Quality Employment

I know that a lot has been made of the idea of "green jobs." To be honest, for most of the workers I share job-sites with the "green" they are most interested in is the green in their pockets. Of course, it is rewarding to know that the work we will be doing will contribute to long-term environmental sustainability. However, for those picking up welding torches, wrenches, and screwdrivers to build the infrastructure that will enable us to reduce pollution, the most obvious and direct benefit of this legislation will be the paycheck at the end of the week.

Our union greatly appreciates that the sponsors of this legislation not only maintained their long-standing commitment to environmental protection, but also to fair and decent labor standards. Under the Clean Energy Jobs and American Power Act of 2009, workers employed on projects assisted or incentivized through this legislation will be assured wage rates no less than those prevailing in their local community through the consistent application of the Davis-Bacon Act.

This law protects both communities and employers by preventing the undercutting of local standards, and ensuring that federally assisted projects neither drive-down nor artificially inflate wages. This law protects workers in both big cities and rural areas, and protects union and non-union workers alike. In short, Davis-Bacon will ensure that "green jobs" are also good jobs.

Workers on these projects should be well trained and highly experienced – all construction project characteristics encouraged by the Davis-Bacon Act. Numerous studies show that projects built under prevailing wage provisions are more likely to be completed on time, within budget and with fewer future repair costs. Ensuring these high standards for both workers and contractors will be particularly important when applied to new, highly technical construction projects, such as CCS technology. Neither American

taxpayers, facility owners, nor the environment can afford anything less than the high-standards ensured by the application of prevailing wages.

Protection for Energy Intensive, Trade Exposed Industries

Among the most significant concerns of our union regarding efforts to regulate carbon emissions through an economy-wide cap and trade program is its impact on energy intensive, trade exposed industries. While the Boilermakers union directly represents workers in the cement industry, other energy intensive industries – such as steel – provide employment opportunities for our construction members. These industries are the backbone of American manufacturing, and a source of high-wage employment for millions of workers and their families.

This legislation rightfully recognizes that these industries need particular assistance in making the transition to a low-carbon economy, as it is more difficult for costs to be absorbed or passed on to consumers without adverse impacts. Therefore, we appreciate the significant allocation of allowances provided in this legislation to address these concerns.

In addition, the bill recognizes that the allocation of allowances is essential, though not sufficient to address all of the concerns related to job losses in the manufacturing sector. This important effort to address global warming will not be effective if jobs and pollution are outsourced to countries that lack our commitment to sustainability. At its core, global warming is the most negative consequence of misguided trade and globalization policies. In addition, simply providing an allocation of allowances to domestic industries would be a missed opportunity to encourage – using both "carrots" and "sticks" – responsible action from major emitters in those rapidly developing countries that are a major source of global emissions.

Recognizing that those provisions fall within the jurisdiction of the Committee on Finance, we believe it is critically important that Congress include a strong, yet fair border measure to prevent so-called carbon leakage. In fact, we would recommend all Senators revisit and consider the trade provision originally included by Chairman Boxer in her substitute Amendment to the Lieberman-Warner Climate Security Act. We believe this approach would provide significant leverage for U.S. negotiators in the context of global climate change negotiations, while remaining consistent with our existing trade obligations.

Finally, on behalf of my fellow union members in the Boilermaker's Cement, Lime, Gypsum and Allied Workers Division, we have some suggestions regarding provisions specific to cement manufacturing, one of the six industrial sectors identified as vulnerable under carbon caps because it is an energy intensive commodity subject to global competition. An additional challenge for cement results because the process of calcining limestone into cement releases carbon dioxide regardless of the energy source it uses. We suggest that this variety of process emissions – emissions that essentially cannot be reduced – not be included under the cap. In addition, we ask that energy-intensity be

properly calculated, reflecting actual clinker production from US cement kilns, and that the industry's long-time commitment to alternative fuels be taken into account. We must ensure the production of this strategic commodity not shift overseas. The result of such a shift would be to harm domestic employment, and to increase carbon emissions as less efficient foreign kilns replace more modern domestic ones.

Allowance Allocations

It is critically important that any climate legislation give careful consideration to the allocation and distribution of emissions allowances to both maximize benefits, and minimize costs to consumers. We applaud the committee for rightfully allocating the vast majority of allowances in the early years of the program at no cost. The choice between auction and allocation has little impact on the long-term environmental benefits of the program, but the wrong approach could have serious employment and economic implications for middle-class families as our nation makes this critical transition.

The Boilermakers strongly support the dedication of significant allowance value in this legislation for activities that will create jobs. Of course, most importantly for our union are those allowances dedicated to the deployment of CCS technology. In addition, allowances dedicated for improving energy efficiency will also be a significant driver of employment in the transition to a low-carbon economy. In addition, we appreciate the inclusion of provisions to provide allowances to protect low- and moderate-income families from any energy cost increases, and rebates to consumers.

This legislation also makes critical investments in American workers. It provides support through allowances for job training programs, and assistance for any worker negatively impacted as our economy makes this transition.

Our union believes that the allocation of allowances to electricity consumers through local distribution companies (LDCs) is the most effective approach for preventing increased utility costs for families and businesses. While the formula for distribution of allowances is consistent with the legislation adopted by the House, the overall number of allowances available for this important consumer relief is reduced due to the other purposes for which this legislation dedicates allowance value. While these other purposes, such as debt relief, are certainly important, we suggest the allocations to LDCs for electricity consumer relief be consistent with the level of emissions from the power sector in the early years of the program.

In addition, refineries are also an important source of job opportunities for the members of my union. We are pleased this legislation increases the allowances provided to domestic energy producers, particularly small refiners.

Suggested Improvements

This legislation goes a long ways toward addressing some of our union's highest priorities when it comes to climate legislation. Of course, we have some suggested improvements that we urge the Committee and the Senate to consider.

As was mentioned early in my testimony, a priority of our union is to provide the greatest level of regulatory certainty possible when it comes to the permitting of new power generation facilities. All the resources in the world will not create jobs for anyone but lawyers if every new plant or retrofit is tied up in an endless game of legal challenges and regulatory hurdles.

One key objective of federal climate change legislation must be to establish a new framework for reducing economy-wide greenhouse emissions. In Waxman-Markey, this framework relies on a cap-and-trade program that allows companies to achieve emissions reductions in the most efficient, cost-effective manner possible. It requires the replacement of the existing piecemeal, command-and-control regulations with the new cap-and-trade program.

We believe the House legislation appropriately provided exemptions from permitting and other such air regulatory requirements established for conventional air pollutants under the Clean Air Act. These exemptions were carefully tailored to apply only to greenhouse gas emissions from sources that would be regulated under the new cap-and-trade regime. Unfortunately, Clean Air Act exemptions are missing from S. 1733. The goal of a cap-and-trade program is not just to reduce emissions, but also to do so in the most efficient and cost-effective manner. Failure to address these issues could undermine that goal.

In addition, we believe that an effective cost containment provision is essential to not only limiting the overall economic impact of the program, but minimizing allowance price volatility and discouraging market manipulation. While the Market Stabilization Reserve Auction is a promising approach, we maintain some concern that it will not provide sufficient certainty should prices rise unexpectedly high.

Finally, we have some concern regarding the stringency of the emissions reductions targets in the early years of the cap and trade program. Should the development of CCS technology not proceed quickly enough, these early caps may encourage some plants that could otherwise be retrofitted to shut down or switch to natural gas. Therefore, we encourage the committee to consider an emissions reduction target in 2020 of 14% below 2005 levels, consistent with the program called for in President Obama's budget proposal.

Again, I thank the Committee for the important work you are doing here today, and the opportunity to express my views.