



PA House of Representatives
Republican Policy Committee

414, Main Capitol Building
Harrisburg, PA 17120
(717) 260-6144

Rep. Joshua D. Kail
Chairman

PA House Republican Policy Committee Hearing
“The Negative Impacts of the Energy Tax”

June 12, 2023, at 10 a.m.

Room 205, Ryan Office Building
Harrisburg, PA

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| 10:00 a.m. | Welcome and Pledge of Allegiance |
| 10:10 a.m. | Greg Moreland
<i>Pennsylvania State Director, NFIB</i> |
| 10:15 a.m. | David Taylor
<i>President & CEO, Pennsylvania Manufacturers' Association</i> |
| 10:20 a.m. | Questions for Testifiers |
| 10:50 a.m. | Final Comments and Conclusion |



Testifier Biographies

PA House of Representatives Policy Committee Hearing *“The Negative Impacts of the Energy Tax”*



Greg Moreland **Pennsylvania State Director, NFIB**

Greg Moreland is NFIB’s Pennsylvania State Director, responsible for NFIB’s advocacy, communications, and operations on behalf of the 13,000 small business members across every industry and community in the Keystone State. A former paratrooper in the U.S. Army, 82nd Airborne, Moreland served as a policy analyst to then-Speaker Mike Turzai, and later chief of staff to the late state Sen. Dave Arnold.

As spokesperson for NFIB in Pennsylvania, Greg is a resource on policy matters and economic conditions affecting small businesses, including taxes, spending, and the state budget; mandates, regulations, and red tape; the general business environment, the cost of healthcare, energy, insurance, and workers’ compensation. He has been quoted and appeared on broadcasts for publications and outlets across the state.

In 2022, Greg was highlighted in City & State Pennsylvania’s, “The 2022 Pennsylvania Forty Under 40” list.

David N. Taylor **President & CEO, Pennsylvania Manufacturers’ Association**

David N. Taylor is President & CEO of the Pennsylvania Manufacturers’ Association, the statewide trade organization representing the manufacturing sector in Pennsylvania’s public policy process. Now in his 26th year with PMA, Taylor is the association’s chief spokesman at the state Capitol in Harrisburg and in the media. He is editor of the PMA Bulletin and host of the statewide television program “PMA Perspective” on the Pennsylvania Cable Network.

A frequently sought guest and commentator, David is also the host of “Capitol Watch”, a twice-monthly news and commentary program on “Lincoln Radio Journal”, which is heard on more than 90 radio stations across Pennsylvania.

David is chairman of the Pennsylvania Leadership Council and a member of the American Enterprise Institute’s Leadership Network. He serves on the boards of directors of the Pennsylvania Manufacturers’ Association, the Pennsylvania Steel Alliance, the Foundation for Free Enterprise Education, the Business-Industry Political Action Committee (BIPAC), and the Lincoln Institute for Public Opinion Research.





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June 9, 2023

The Honorable Joshua Kail
via electronic submission

RE: House Republican Policy Committee Meeting: Negative Aspects of the Energy Tax

These comments are submitted on behalf of the National Federation of Independent Business in Pennsylvania (NFIB PA). NFIB is the nation's leading small business advocacy organization, representing nearly 13,000 members in Pennsylvania and about 300,000 members throughout the United States. Founded in 1943 as a nonprofit, nonpartisan organization, NFIB's mission is to promote and protect the right of its members to own, operate, and grow their businesses.

NFIB, referred to as 'The Voice of Small Business', remains committed to holding elected officials accountable for campaign promises made during the last election cycle. Every morning I walk over to the Capitol I pass by a big, beautiful window that has a quote on it. It's a wonderful quote, to be honest. This quote reads, "I have real concerns about the impact RGGI will have on consumer prices, hurting families...". NFIB shares the exact same sentiment as the gentleman who made that comment, Governor Josh Shapiro.

Far too often on the campaign trail elected officials make statements about how big of a supporter they are of the small business community. Everyone loves small businesses when they are up for election! The problem with is that NFIB tracks legislation and how elected officials vote. What we tend to find is often times the words spoken on the campaign trail do not match up with the votes taken on the Floor of the General Assembly here in Pennsylvania. As a reminder, NFIB is a nonpartisan organization, and member-driven, unlike some other associations in Harrisburg or Washington D.C. Our membership and I will support elected officials that consistently advocate for our small business community, regardless of party.

NFIB and the small business community are not giving up on the promises that Governor Shapiro made during his gubernatorial campaign in which he stated he would consider removing Pennsylvania from RGGI. NFIB recognizes that Governor Shapiro is a much different Executive than his predecessor, and the small business community is appreciative of that. We

have not and will not give up hope that Governor Shapiro recognizes the unique challenges faced by our Main Street businesses.

Business owners continue to call inflation their top business problem, lamenting the cost increases for their inputs (inventory, supplies, labor, **energy**, etc.) which compel them to raise their selling prices to cover the costs. Overall, owners are not optimistic about 2023, as sales and business conditions are expected to deteriorate. Owners will focus on their businesses and do their best to deal with the fallout from all of the uncertainties in a year of slow growth and still-persistent inflation.

Inflation remains well above the Fed's 2% target, and the Fed has raised interest rates 10 times already, and potentially an 11th time this week. This means it's more expensive for owners to borrow money for capital outlays and discourages owners from taking risks to grow their business and hire new employees.

Pennsylvania is unlike any other state that has joined RGGI, and the Commonwealth possesses resources all others in RGGI do not. Yet, policymakers continue to set forth policies and proposals that negatively affect the business climate, while at the same time stating they would like to make the Commonwealth more competitive. You can't have it both ways. You can't continue, or threaten, to tax our business owners at higher rates, and say we are 'Open for Business!'.

In looking at Governor Shapiro's RGGI working group, the Governor has set forth a three-prong test which RGGI must meet, or the group must present an alternative to the Governor. NFIB does not believe that the RGGI proposal meets any of the three prongs.

1. Does RGGI reduce carbon emissions? No
 - a. CO2 emissions "leakage" from PA into non-RGGI PJM states and the Eastern Interconnect means that more than 99.8 percent of ALL RGGI-related CO2 emissions reductions in PA would be offset by increased emissions from these non-RGGI states. Ask former DEP Secretary Katie McGinty why she rejected RGGI for PA: Leakage.
2. Does RGGI protect and create jobs? No
 - a. RGGI will eliminate thousands of high paying union jobs, workers who build, operate, and maintain coal and conventional gas facilities in PA, which will be forced to decommission prematurely under RGGI. In PA, these facilities represent over 8000 direct and indirect jobs, with a payroll in excess of \$500M, over \$800M in direct economic activity, \$1.5B in indirect and induced economic activity, which direct and indirect economic impact generates \$34 million in state revenue from taxes and fees. Most if not all of those jobs will

be lost upon the reduced operations and eventual closure of that fleet of plants.

3. Does RGGI protect consumers?

- a. In what world will raising costs to businesses and consumers be beneficial to consumers? If the grocery store raised the cost of food by 20-30% overnight would policymakers tout that as a consumer protection, too?

Alternatively, the governor should be looking to states that have similarities to the Commonwealth, such as West Virginia, Ohio, and Virginia (who just removed themselves from RGGI last week). You can't compare apples to oranges and tout the similarities.

When the unions and their employers sued to strike down the \$5.8B RGGI Carbon Tax regulation and protect their jobs, then-AG Shapiro refused to defend RGGI on the merits. This required then-Governor Wolf to hire outside counsel. It so happens he hired Ballard Spahr, a longtime law firm of Constellation Energy and Exelon, both of which are enormous RGGI supporters, who also happen to be litigating side-by-side with the Governor.

I'll be honest, this is all maddening for the small business-owner. Many residents voted for Governor Shapiro because they found him genuine, moderate in his political beliefs, and a man of his word. Forcing the Commonwealth to join a multistate initiative which will have absolutely no positive impact on the environment, businesses, consumers, and does not protect jobs would seem to fly in the face of his campaign promises, and the principles for which the majority of Pennsylvanians voted for.

NFIB members care about energy sources that are reliable, effective, clean, and cheap, because it directly affects their ability to survive as a business. NFIB members also believe in personal freedom of choice. In Pennsylvania, you can choose the company that generates your home or businesses' electricity — also known as your electric supplier. This means that you have the power to choose to switch to a competing supplier that can offer the lowest price, best price, or provide a specific service you want.

Recently I had an op-ed published in multiple outlets entitled, 'Small Businesses Need Affordable Energy'. In it, I state:

"Here in Pennsylvania, we are uniquely situated to be the solution to powering our lives and livelihoods affordably, effectively, and efficiently. Thanks to the Commonwealth's prolific natural gas reserves, Pennsylvania is now one of the leading natural gas-producing states in the country – second only to Texas. Natural gas has bolstered the state's diverse energy portfolio. As natural gas exploration and extraction has grown, Pennsylvania residents and businesses have benefited through lower energy costs and increased economic activity.

By breathing new life into once economically stagnant communities, the industry supported a boon of downstream opportunities and helped to grow cottage industries. Niche markets and businesses

have developed to help support the industry. Additionally, there has been a positive impact on ancillary businesses. In new drilling areas, restaurants, hotels, and mom-and-pop shops have seen increased activity and a boost in sales. And within this bustle, increase in natural gas use has also been environmentally beneficial by significantly lowering greenhouse gas emissions.”

With that said, how will RGGI affect small businesses? The answer isn't as complex as some may think. Business owners will pass increased costs onto consumers, continuing to negatively affect inflation. They will cut hours or employees. They may even stop offering benefits they currently offer because they simply cannot afford them anymore. The government cannot continue to mandate higher labor costs and borrowing costs and expect there to be no impact on consumers.

in closing, I often look around this building and ask myself, 'What are we doing?' Over the last few weeks, I've asked myself this question more often than I would care to admit. There are elected officials in this building that think assessing a 30% tax increase in energy costs is a wonderful idea and that it will have no economic impact on consumers or businesses. Those same folks have signed on as cosponsors for legislation that increases the minimum wage to \$21, allows employees to take up to 20 weeks paid leave, and you even have members on this very committee that believe small businesses should be mandated to participate in a state-run auto-IRA program.

It's frightening how little some elected officials understand (or care) about the duties, responsibilities, and costs of a small business owner, yet, when on the campaign trail are the first to claim small business support. Not everyone can work a four-day workweek, work remotely from their couch, and make \$100,000 coming out of high school.

Let's stop trying to appease the Sierra Club and start training workers to make their maximum compensation, rather than an artificial minimum wage.

Pennsylvania possesses natural resources few other states have. Let's not squander an opportunity for growth.

Thank you again for the opportunity to comment on behalf of Pennsylvania's small and independent businesses.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gregory B. Moreland', with a stylized initial 'G' and a long horizontal flourish.

Gregory B. Moreland
NFIB PA State Director



Pennsylvania Manufacturers' Association

June 12, 2023

House Republican Policy Committee

Impacts of the Regional Greenhouse Gas Initiative

David N. Taylor
President & CEO

Thank you, Chairman Kail and members of the committee.

I'm David N. Taylor, President & CEO of the Pennsylvania Manufacturers' Association, the statewide trade group representing the people who make things here in the commonwealth.

In every way that matters, energy is life. Our manufacturing sector, which employs a half-million Pennsylvanians and creates \$100 Billion in value every year, depends on abundant, reliable, affordable energy. Maximizing domestic energy production should be a top priority for all of Pennsylvania's leaders and decision-makers.

Pennsylvania is the number one exporter of electricity in America. We power the grid. If the RGGI scheme is not thwarted, the new electricity tax will force the immediate closure of our remaining coal-fired electricity plants and older natural gas-fired plants. These facilities represent billions of dollars of critical infrastructure and a significant portion of our generation capacity. If the furnaces at those plants are allowed to cool, they will then warp, crack, and shatter; destroying these assets while placing significant strains on our already fragile power grid.

The RGGI electricity tax is exactly the wrong approach to take, 180 degrees wrong. Pennsylvania's coal-fired electricity facilities not only contribute to our total output, but they also use a Pennsylvania resource that supports Pennsylvania mining jobs. The plants in question are in full compliance with DEP and EPA standards. There's nothing wrong with them.

The United States is the world's largest economy and is the second largest emitter of carbon dioxide at 13 percent and dropping. China is the world's second largest economy and is the largest emitter of carbon dioxide at 30 percent and rising. China is expanding its consumption of coal for electricity generation, bringing many new coal-fired power plants online, negating all other global reductions in carbon emissions. Snuffing out our much-cleaner coal-fired electricity plants is foolhardy in the extreme.

The RGGI plan only makes sense if its goal is to stifle U.S. energy production, cripple American industry, kill off U.S. jobs, and bleed U.S. consumers with higher costs for food, fuel, and utilities.

PJM Interconnection has voiced concerns about the integrity of the electric grid if existing plants are retired. In a letter written in February, PJM's Board of Managers said, "We believe the healthy reserve margins we enjoy now cannot be taken for granted into the future. Energy policies and market forces have, and could further expedite, the retirement of existing generation resources faster than the new resources are able to come online."

Pennsylvania only barely escaped blackouts during the winter storm in December. We are on a collision course with reality if we don't defend our plants TODAY by rejecting the unconstitutional RGGI tax. Homer City Generation Station is now scheduled to close in July, thanks to the new burden of the RGGI tax.

Pennsylvania's diverse energy portfolio provides the baseload capacity to power our industries. Glass is made with natural gas-fired ovens that reach 3,100 degrees. To make steel, metallurgical coal is turned to coke to derive metallic iron from iron ore. Our life sciences industries use natural gas to power their chemical reactions and natural gas liquids throughout their processes. Our

reemerging plastics industry is driven by the synergy between natural gas liquids as feedstock and natural gas as fuel. The RGGI tax will drive energy intensive manufacturers out of Pennsylvania, and our fear is that this could drive these industries overseas; further disrupting our already fragile supply chains and distribution networks. Through several recent crises, we should have already learned how vitally important these supply chains are to our national security.

Because Pennsylvania is a major producer of American energy, decisions in Harrisburg have national and global implications. Anything that diminishes Pennsylvania energy production weakens America.

There should be no further delay for Pennsylvania to reject RGGI, and we respectfully request Governor Shapiro to withdraw our commonwealth immediately.