"Energy Consumers Relief Act of 2013"

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Testimony of
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Thank you Chairman Whitfield and Ranking Member Rush for the opportunity to testify before you and other Subcommittee Members. My name is Paul Cicio and I am the President of the Industrial Energy Consumers of America (IECA). As significant consumers of energy, our competitiveness is dependent upon the cost of energy. For this reason, we welcome the opportunity to comment on the proposed legislation “Energy Consumers Relief Act of 2013.”

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.1 trillion in annual sales, over 1,000 facilities nationwide, and with more than 1.4 million employees worldwide. 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 energy intensive industries including: chemical, plastics, steel, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, brewing and cement. IECA companies do not include producers of natural gas, oil, coal, or electric utilities.

IECA supports the draft bill entitled the “Energy Consumers Relief Act of 2013,” which would require the U.S. Department of Energy (DOE), the Federal Energy Regulatory Commission (FERC) and Energy Information Administration (EIA) to make a determination as to the direct and indirect costs of any energy-related EPA regulation that may cost one billion dollars or more, prior to finalizing the rule. If, in the event that the review of the costs by the U.S. Department of Commerce, the Department of Labor (DOL), and the Small Business Administration (SBA) finds that the Environmental Protection Agency (EPA) regulation would be harmful to the economy – we would hope that the EPA will reconsider the rule and seek alternative lower-cost regulation.

The EPA should not fear transparency of the economics of regulation – they should embrace it as part of their regulatory reform efforts. Policymakers, including the EPA, must be mindful that manufacturing companies have choices as to where they build their facilities around the world. In this regard, the U.S. and its policies are in competition with other countries for these investments and jobs. This means that U.S. regulations must compete as well – that is, to regulate in a manner that is cost-effective and implemented in time horizons that are responsible to the public health, but mindful of market realities. The most fundamental element is transparency of the cost of regulation. In our view, EPA’s scorecard is very poor. The EPA provided leadership decades ago in reducing emissions; they now need to lead again by addressing the cost and transparency issues. This is a win-win and there are no losers.

IECA SUPPORTS THE LEGISLATION FOR THE FOLLOWING REASONS:

1. All costs associated with EPA regulations that are energy-related, whether through regulations directly upon the industrial sector company or indirectly on our energy suppliers – are passed onto to us and can greatly impact our competitiveness, U.S. investment levels, jobs and exports.

When the EPA is promulgating rules and costs on the electric utility industry – we consumers pay for it. When the EPA promulgates rules on the oil and natural gas industry – consumers pay for it. When the EPA chooses fuel mix strategies that give preference of one fuel over another – consumers pay for it.

There appears to be insensitivity or disconnect to this point as EPA proceeds to roll out a multiplicity of new regulations. Someone has to pay for these regulations and that someone is the industrial sector and other U.S. consumers. As the only sector of the economy that competes with global competition, the pass through of these costs to us is significant and getting greater all the time – continually eroding our ability to compete and create jobs.

2. The manufacturing sector competes globally, often with unfair or subsidized global competition, and even a relatively small cost increase can impact competitiveness and result in lost jobs and exports.

This is not 1970 when U.S. emissions were relatively high and significant action was needed to reduce emissions. Emissions have been drastically slashed since then and that is the good news. The bad news is that now that emissions are so small, the cost of the next increment of reduction is very expensive. So expensive that manufacturing companies could be forced to make decisions of whether to comply or shut down the facility and move its production offshore.

The reality is that manufacturers face a significant number of existing, new or proposed EPA regulations, all at the same time with overlapping requirements, and additive and compounding costs. This plethora of regulations has resulted in business investment uncertainty.

We encourage policymakers to be mindful of another reality – when companies spend capital on regulatory compliance it consumes capital that would otherwise be used to create new jobs producing manufacturing products and exports. Both are desperately needed to revive our weak economy and weak job creation.

3. Congress never intended for the EPA to set energy policy – but that is what is happening.

EPA rules can and are having a significant impact on both the production and consumption of energy. EPA rules can have direct and indirect impact to energy production levels, costs, reliability and national security. Likewise, EPA rules can increase direct and indirect demand for energy that impact energy prices.

EPA rules have absolutely become intertwined with reducing emissions and our nation's energy production and consumption. And, EPA does not have expertise in energy markets. Because emissions and energy production and consumption are intertwined, policy checks and balances are needed. The capabilities of the DOE, FERC and EIA will provide expertise necessary to determine direct and indirect cost impacts. Congressional oversight is needed because one agency should not have the power to dictate energy policy that could significantly and negatively impact the economy, jobs and the competitiveness of the industrial sector.

4. A key cornerstone of responsible public policy is that the cost of the regulation is transparent (in advance of implementation) and that it is implemented using the lowest cost policy alternative.

EPA has shown either the inability or unwillingness, or both, to determine the full cost of their regulations. As stated above, the stakes are much too high for our country not to make this policy change. We are not saying do not regulate – we are saying – do it better and at less cost.

5. With this legislation in place, we are hopeful that if in the event that the DOE, FERC, and EIA cost evaluation clearly shows that the EPA regulation costs exceed one billion dollars, and that the DOC, DOL and SBA finds the regulation would be harmful to the economy – that the EPA will consider alternative and less expensive policy alternatives.

6. Weak economy and job growth are reasons enough.

If the above reasons are not sufficient, then we hope that the reality of U.S. weak economic gains and lack luster job growth will spur support for this legislation. There are multiple studies, too long to list here, all of which confirm, EPA regulations are indeed costly and that these costs are accelerating in a time of weak economic growth. As said before, unnecessary high costs divert business capital away from investment that create needed jobs.

SUPPORT MATERIAL

About the manufacturing sector

- Manufacturing is the *most diverse* end-use sector —in terms of energy services required, sources of energy used, technologies needed, and product output.
- Contributes about 12% of gross domestic product (GDP)
- Directly employs approximately 12 million people
- Accounts for 60% of U.S. engineering and science jobs
- Supplies about 57% of U.S. exports
- Produces nearly 20% of the world's manufacturing output

The cost and implications of regulations to the manufacturing sector

On August 21, 2012, the Manufactures Alliance for Productivity and Innovation commissioned a study entitled "Macroeconomic Impacts of Federal Regulation on the Manufacturing Sector" that illustrates why the "Energy Consumers Relief Act of 2013" is needed. Below are some of the key points:

- The average number of major regulations
    - 1993 to 2000: 36
    - 2001 to 2008: 45
    - 2009 to 2011: 72

- All manufacturing subsectors are impacted by increased costly regulations
    - Energy-intensive sectors are most impacted. Output could fall by about 9% to 10% per year on average
    - Total value of shipments could be reduced by $200B to $500B in constant 2010 dollars in 2012
    - EPA imposes the largest number of regulations on manufacturing: (972); including 122 major regulations
    - EPA imposes the largest regulatory costs totaling $117B in constant 2010 dollars

- Growth in the cost of regulation has exceeded economic growth and especially manufacturing sector growth
  - From 1998 through 2011, cumulative inflation adjusted cost of compliance grew by an annualized rate of 7.6% while GDP growth averaged 2.2% per year; annual growth of physical volume of manufacturing output averaged a mere 0.4%

- Exports are being held down by regulatory burden. Exports in 2012 could be 6.5% to 17% lower than they would be without the estimated regulatory burden.

Thank you.