Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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March 23, 2021

The Honorable Bobby L. Rush
Chairman
Subcommittee on Energy
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Honorable Fred Upton
Ranking Member
Subcommittee on Energy
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Re: Comments for the Record on the Hearing "The CLEAN Future Act: Powering a Resilient and Prosperous America"

Dear Chairman Rush and Ranking Member Upton:

As you proceed to consider establishing a Clean Electricity Standard (CES), we urge you to carefully consider the following input, requested changes, and competitiveness concerns. Our member companies are 100 percent manufacturing companies. Thoughtful, science-based, and cost-effective climate policies can support and boost U.S. economic growth, jobs, and competitiveness, while achieving robust environmental goals. By contrast, poorly crafted climate policies can lead to unintended consequences such as industrial GHG leakage, selecting arbitrary winners and losers, diminished U.S. manufacturing competitiveness and the loss of well-paying American jobs. It is important to remember that manufacturing process technologies to decarbonize direct GHG emissions, do not exist.

There is no sector of the U.S. economy that is more able to contribute to middle class job creation. Because these industries compete with fierce global competitors that are often subsidized by foreign governments and are energy-intensive, driving down energy consumption is top of mind to being able to compete and stay in business. U.S. manufacturing has one of the lowest carbon dioxide/value added intensities of any nation, which is about one-third of China's manufacturing sector.[1] This is why growing U.S. manufacturing output and displacing foreign production, reduces global GHG emissions.

The Industrial Energy Consumers of America (IECA) supports cost-effective climate action. Cost-effective climate policies result in a reduction of GHG emissions without negatively impacting the competitiveness of manufacturing jobs, investments, and economic growth. On February 9, 2021, IECA submitted comments for the record, which described seven areas that we desire to collaborate with you on to reduce/avoid GHG emissions in the manufacturing sector.

[1] Source: CO2 Emissions from Fuel Combustion 2018, International Energy Agency (IEA)
The World Bank, http://data.worldbank.org/indicator/NV.IND.MANF.CD

CLEAN ELECTRICITY STANDARD (CES)

Section 202(8) Generation Unit – Manufacturing self-generation of power should have the option, but not the obligation, to participate in the CES credit trading program: The manufacturing sector consumes about 25 percent of U.S. power generation and self-generates about 15 percent of what it consumes. Manufacturing's core business is NOT in the generation and marketing of power. The only reason we have invested in self-generation is to lower electric and steam energy costs, otherwise, we would rather invest capital in producing products.

In the short-term, the CES could potentially benefit industrial self-generation, but with time as the CES standard requires cleaner energy, owning any type of fossil energy self-generation would become increasingly cost prohibitive. When that happens, manufacturing would likely stop generating power, use a boiler to produce steam to operate our facilities, and purchase electricity from the grid. *A boiler-only system would increase GHG emissions as compared to combined heat and power (CHP). Existing capital investments in CHP and waste to energy (WTE) would become a stranded cost.*

Manufacturing will likely continue to either build renewable energy facilities inside-our-fence line or purchase it from the grid. However, the volume of renewable energy will be limited because we operate 24/7 and require both high quality and reliable power. Renewable energy cannot provide either. This means that a relatively small portion of our power consumption will be from renewable energy.

Power quality and reliability are critical to manufacturing operations: Power quality disruptions can potentially damage equipment, products, and output, and may also present a hazard to plant personnel. Due to the intermittency of renewable energy, we are already experiencing problems with power quality in buying power off-the-grid. Self-generation overcomes the problem and is also reliable. *It behooves policymakers to encourage self-generation, because if these facilities shutdown and we buy more power from the grid, it adds significant stress to a grid that is already fragile.* It would also increase costs to retail electricity consumers. The less power that we pull off the grid, the better for everyone.

(18) Expand "Qualified Waste-To-Energy sources, consistent with the circular economy": We urge you to include all waste materials that have a hydrocarbon content, including plastics and tires, as long as the non-incineration technology used can convert plastics that contain halogens, like chlorine and bromine, into harmless inert salts and meet all EPA air quality standards.

This provides a financial incentive to collect and recycle the waste into useful renewable syngas, hydrogen, recoverable metals, including rare earths, thereby advancing the circular economy, and avoiding tens of millions of tons of GHG emissions. The majority of these waste materials are placed in a landfill, thrown into our oceans and rivers, pollute our waters or are shipped to other countries and used as a fuel. None of those actions are environmentally responsible. There is no substitute for the societal contributions of plastics and tires. Therefore, it is timely for Congress to embrace new technology solutions.

The CES should be modified so that manufacturing and other investments that reduce electricity consumption from the grid should receive credit for avoided or reduced GHG emissions: The CES should be changed and used as an incentive for manufacturing and other

companies to invest in projects that reduce electricity consumption. Manufacturing investments in reducing electricity consumption inside-the-fence line should receive Clean Energy Credits. The less power that we pull off the grid, the better. Buying less power from the grid reduces generation and transmission costs to all other consumers. Similarly, there are investments that companies can make outside-the-fence line that reduce GHG emissions. Those investments not only benefit the grid, they also can provide direct benefits to disadvantaged communities. The CES should incentivize such investments by making them eligible for Clean Energy Credits.

Section 203 Clean Energy Requirement – The CES should <u>not</u> give utilities, or any other party, the ability to take credit for reductions of electricity consumption inside-the-fence line: The rule of law should be that whoever makes the capital investments in a GHG electricity-related avoidance or reduction project, should receive the financial benefits of resulting carbon reductions/avoidance under the CES. Manufacturers are always making capital investments to reduce electricity consumption and costs.

As an example, if a manufacturer spends capital to invest in more energy efficient electric motors, which would reduce the volume of electricity purchased from the grid, the GHG reductions should be credited to the manufacturer. If on the other hand, a utility or other entity invests in a GHG reduction capital project inside the manufacturing company's fence line, the contract between the utility and the manufacturer will determine who would recoup the GHG benefits for the capital investment and qualify for the CES market.

Section 203 Clean Energy Requirement – Contract transactions by manufacturing companies to purchase renewable energy, and the resulting clean electricity, should not be credited to the generator: Manufacturing companies are taking the initiative to purchase renewable energy for consumption. Like above, no one other than the manufacturer should be able to take credit for the GHG reduction, unless the contract stipulates otherwise.

Section 204 Clean Energy Credit Trading Program – Speculators should be prohibited from participating in the Clean Energy Credit Trading Program: Allowing speculators to participate potentially increases price volatility. Only entities who produce emission credits and who are required to buy, should participate.

Capital investments made by electric generators must be just and reasonable and least cost: We urge Congress to ensure that the CES must adhere to and be consistent with the Federal Power Act. All electric generation, transmission, and distribution costs associated with compliance with the CES will be passed onto us, the consumers.

Section 204, Determination and Issuance of Quantity of Zero-Emission Electricity Credits – GHG lifecycle accounting must also apply to renewable energy, not just fossil energy electricity: It is important to make consistent science-based decisions. We note that generating units utilizing fossil energy must account for GHG emissions upstream, but renewable energy sources do not. To substantially increase renewable energy requires millions of storage batteries that are GHG-intensive and a substantial build-out of the electric transmission grid. Sound science calls for transparency of upstream GHG emissions for all electric sources.

The costs and benefits of the CES should be carefully evaluated: It is important to be consistent and follow the science. We have reviewed studies that evaluate the costs and

benefits of the CES. Having done so, we are concerned that there is a tilt to increase the benefits and downplay the costs and technological uncertainties. The predicate to this point is that manufacturing companies cannot survive without cost-effective power. Electric prices in China and several other countries are subsidized by their own governments.

For example, one popular study on the CES includes the benefits of the reduction of net damage caused by CO_2 and methane, including upstream, and the health benefits which includes estimated value of the mortality from SO_2 and NOx. The study does not account for upstream GHG emissions by energy storage batteries, solar, or wind, or the health or value of mortality of mining, smelting metals, or recycling needed for these alternatives.

Not included in the costs to consumers are hundreds of billions of dollars of fossil-related electric generation investments that will become stranded, which we will still have to pay. The nation will need significant additional capacity for transmission and distribution, energy storage capacity, alternative fuels with lower GHG content, nuclear for reliability and CCUS, all of which will be expensive. It is concerning that as of this letter, many of these alternatives are not cost-effective or they have technology and regulatory uncertainties.

Thank you for your continued support of the manufacturing sector. We look forward to working with you to reduce cost-effective GHG emissions in the power and manufacturing sector.

Sincerely,

Paul N. Cicio

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President & CEO

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.1 trillion in annual sales, over 4,200 facilities nationwide, and with more than 1.8 million employees. 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: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, independent oil refining, and cement.