

Attachment—Additional Questions for the Record

**Subcommittee on Environment and Climate Change
Hearing on
“The CLEAN Future Act: Industrial Climate Policies to Create Jobs and Support Working
Communities”
March 18, 2021**

Mr. Kevin Sunday, Director of Government Affairs, Pennsylvania Chamber of Business and
Industry

The Honorable Cathy McMorris Rodgers (R-WA)

1. You made an important point in your testimony that, “at present the only rural communities that are matching urban and metropolitan regions in terms of wage and productivity growth are those with natural resource development.”
 - a. What have you seen in terms of productivity growth in rural communities with the shale revolution?

RESPONSE: Labor productivity is an under-valued metric (versus more broadly recognized and examined metrics like jobs, GDP and wages) and is useful for the context of understanding the competitiveness and quality of local and regional economies, as it measures the real economic output per hour of labor. An increase in a region’s labor productivity indicates the region’s workforce and assets are producing more and more goods and service that are found to be of value in a global economy. As such, we appreciate the additional focus from Leader Rodgers following the opportunity to testify on these policy matters.

As the PA Chamber’s testimony noted, labor productivity growth has been highest in urban metropolitan areas. The only small metro economies that have fared well this century, compared to large urban areas, are those that specialize in oil, gas and mining. Within Pennsylvania, we have seen rural communities, particularly those in southwestern Pennsylvania which is host to the deposits of shale that also contain valuable natural gas liquids (which are used in a host of important manufacturing contexts, from outdoor recreation equipment to automotive components to medical devices), see greater increases in labor productivity compared to rural counties that do not have a defined mining or energy industry. As a specific comparison, the greater Pittsburgh metro (which includes the six rural and suburban counties adjacent to Allegheny County which hosts Pittsburgh) saw a nearly

12% increase in labor productivity from 2008-2019 (the 9th highest growth of metro areas in its peer group), based on an analysis of Census and Moody's economic data conducted by the Brookings Institution (see Metro Monitor 2020). This compares to a mere 4.5% productivity increase in the Erie metro area over the same period (66th among its peer group) or the York-Hanover metro (64th) – smaller metros within Pennsylvania that are have significant manufacturing operations but lack energy and mining resources. We would further note that the mere presence of energy resources are not a panacea – the state of New Mexico, for example, is the number three oil producer, but its state regulatory and tax environment are among the most burdensome in the nation, and among the least accommodating to entrepreneurship. A key catalyst for the growth and success of small metro economies who have oil and mining resources is a welcoming regulatory and tax environment that fosters the build-out of high value enterprises along the supply chain.

2. In your view, if we enact policies that stifle or effectively ban new development and delivery of energy resources, what would that mean for the residents and workers in these rural committees?

RESPONSE: Pennsylvania enacted state legislation that assesses a per-well impact fee for every unconventional natural gas well developed in the state. To date, this program has collected more than \$2 billion in revenue – the majority of it directed, per the law's funding formula, to counties with the most drilling activity, where the impact fee proceeds are used for infrastructure improvements, conservation projects, water infrastructure, emergency response equipment and other valuable public services that would not be funded but for shale gas development. This is in addition to the several billion dollars in royalties that have been paid out to landowners in Pennsylvania, which has helped keep family farms in business during volatile seasons in commodity (especially dairy) markets. The loss of drilling activity would represent the loss of one of the strongest catalysts for growth and support for the economies of rural Pennsylvania should these revenues and royalties evaporate as a result of federal policy – along with the direct and induced economic activity of local workers finding jobs in and supporting energy development. Nor is this loss hypothetical – one need only cross Pennsylvania's border and compare how many farms have been lost in rural upstate New York, despite straddling similar natural resources. Pennsylvania also has a strong coal and non-coal mining base – natural resources which may contain geologic strata rich in the rare earth critical minerals needed in advance manufacturing and alternative energy technology. Premature retirement of these industries, and the erosion of local workforces, will leave future generations in these communities at a disadvantage versus skilled workers who will need to be imported from other regions of the country.

- a. What is the impact, to the extent that productivity growth is slowed or declines in rural areas?

RESPONSE: Simply put, the erosion or decline in labor productivity is an erosion and decline in the quality of life for a community's resident. By extension, labor productivity correlates with a region's standard of living, opportunity to form new businesses, ability to agglomerate and synthesize talent among various industries, attract new investment, and fund public services.

3. There is much discussion about finding new work for the tens of thousands of people who will lose their livelihoods because of the anti-fossil energy provisions and related impacts on energy intensive industry in the CLEAN Future Act.

From your perspective, how do wages in fossil energy related fields stack up with other sectors?

RESPONSE: Energy workers, broadly speaking, enjoy high wage premiums versus other sectors. A recent job and wage growth report from the National Association of State Energy Officials noted energy workers enjoy average wages 34% higher than the median worker. The report noted workers in the natural gas industry earned wages 59% higher than the median among all workers, and power generation workers earned 42% more versus the median. The report also showed that, within Pennsylvania, oil, petroleum and natural gas provided the most employment among all energy resources.

We also would note that prior to the pandemic workers in these industries saw substantially larger wage increases versus other sectors since 2016. According to state and federal wage and employment data, wages in the construction trades and extraction industries grew by 12% over that time, gas plant operations by nearly 20% and chemical plant operators 33.9%.

4. The Wall Street Journal reported that Toyota and Honda announced on March 17, 2021 that they would halt production at plants in North America in part because of a squeeze in crucial supplies, including plastic components, petrochemicals, and semiconductors.
 - a. What does this development signify for supply chain risks relating to policies in the CLEAN Future Act that may affect the Ethane Hub, plastic feedstocks, other components of industry?

RESPONSE: The announcement that automakers have suspended production due to a shortage of petrochemicals, plastics and semiconductors highlights the issues with respect to supply chain vulnerabilities, which were already noted during the pandemic, when there was a shortage of PPE and medical supplies. Both events speak to the need for a dynamic and secure supply chain, including a strong domestic productive sector. A regional ethane storage hub could be vital component of securing long-term domestic production of vital plastics and petrochemicals necessary for the production of medical supplies, automotive components and other vital commodities and goods.

- b. How much should Congress focus on prioritizing the competitiveness of the U.S. supply chain and its industrial and manufacturing base when establishing environmental policy?

RESPONSE: As the International Energy Association's models clearly state, the world will continue to increase its demand for energy and improved quality of life, which will be met by an increase in manufactured goods and improved delivery of services. The only question is who will provide this energy and goods – countries like the United States, which are committed to human rights, environmental stewardship and democracy, or nations such as Russia or China who have very clearly demonstrated that the environment (and human rights and democracy) plays little role in their mining and energy development plans? Further, this question is not resolved by attempts to deflect the conversation away from the production of coal, oil and natural gas to renewable and nuclear resources – the same questions regarding stewardship of natural resources will come into play, given the substantial mining and processing that will need to take place to meet growing demand for hydrogen and critical minerals. Therefore we encourage Congress to elevate the importance of domestic competitiveness in all aspects of the supply chain – from mining and extraction to refining and processing to manufacturing and end use – as environmental policy is established. Arguably, executive branch agencies have not heeded such approaches in the past, which have been written into bedrock environmental statutes, including the Clean Air Act, which expressly defines its purposes, among others, to promote the productive capacity of the nation's population.

5. The CLEAN Future Act, as currently written, encourages federal agencies to mandate project labor agreements, or PLAs, on projects funded under this bill.

Government-mandated PLAs are controversial because in practice, they limit the pool of qualified bidders to primarily unionized contractors and union labor. I am not anti-union. I am pro-worker and pro-competition.

In Washington state, the unionization rate is relatively high at 18.6% - and that is not a bad thing at all. What I am concerned about is that PLAs would discriminate against the more than 80% of non-union contractors in Washington who would just want a fair shot at competing for projects funded under this bill.

Consider this example from another state: A solicitation for a federal agency contract in Manchester, New Hampshire, was originally issued with a PLA mandate. After nearly three years of PLA-related delays and litigation, the project was rebid with a PLA and then again without a PLA following a successful GAO bid protest against the PLA.

Comparing the project's 2013 bid results with and without a PLA suggests that PLA mandates increase costs and reduce competition. Without a PLA, there were more than three times as many bidders (nine vs. three) and the lowest bidder's offer was \$6,247,000

(16.47%) less than the lowest PLA bidder. In addition, firms that participated in both rounds of bidding submitted an offer that was nearly 10% less than when they submitted a bid with a PLA. The low bidder under the PLA mandate was from Florida, but without a PLA, a local firm from New Hampshire won the contract and completed it on time and on budget to the satisfaction of the Department of Labor.

Stories like this are why I am a cosponsor of the Fair and Open Competition Act (FOCA), which would prohibit federally mandated PLAs and ensure a level playing field for competition during the procurement of taxpayer-funded construction projects, while still allowing federal agencies to award contracts to businesses that voluntarily enter into a PLA.

What is most beneficial for workers, taxpayers, and communities: when federal government mandates PLAs on projects funded under this bill, or through fair and open competition, where project owners would be able to voluntarily enter a PLA?

RESPONSE: Unquestionably, the most beneficial outcome for all parties involved in a project is reached when the management of projects are able to make determinations based on the economics of the project, the availability of skilled labor and other factors regarding when and whether to contract with organized labor on a project. Mandated project-labor agreements raise costs with no commensurate gains in construction times or quality of service, as noted by various reports and studies, conducted by government agencies and independent researchers.

The Honorable Richard Hudson (R-NC)

1. Top-down, one-size-fits-all mandates and costs on Americans, threaten our nation's energy dominance and our national security.

Before the Coronavirus shut down our energy economy all Americans were benefiting from an energy renaissance. We had become the number one producer of oil and natural gas in the world which lowered energy costs to millions of Americans.

Rather than substitute government mandates and taxes for consumer choices, we must continue to unleash American innovation and free enterprise--- using all our resources to protect our economic and energy security.

Republicans want to work with Democrats to promote more innovative technologies. Our approach is to find ways to build and deploy new technologies faster. I introduced a bill – the Advanced Nuclear Deployment Act-- this past week that will help license the new micro-reactors that are being developed. These small reactors, as small as 1.5 megawatts, can be used in new ways, like providing power to military bases, to cool server farms, or for durable power for manufacturing facilities, without all the land and transmission costs and uncertainty that comes with renewables.

What would innovations like this mean for industrial development?

RESPONSE: As companies engage with shareholders, vendors and regulators on sustainability, more low- and zero-carbon options within the domestic energy toolkit are an asset. Small modular reactors have the potential to deliver baseload, zero-carbon emissions with minimal operational or supply chain footprints. Such a resource could provide reliable, sustainable power to a variety of high-energy industrial and commercial operations, including data centers and manufacturing clusters.

2. My bill also establishes an expedited licensing for second and subsequent builds of reactors that have been proven. This will help make for faster deployment of these technologies because investors would have regulatory certainty. This will be good for energy reliability and for clean energy. I'm disappointed the CLEAN Future Act is focused on regulation and mandates than on licensing reforms like this.

In your experience, should the federal government promote policies that help update regulations or lift regulatory burdens that stifle deployment of technologies like this?

RESPONSE: Pennsylvania was host to the first commercial nuclear plant in this nation's history and retains a strong supply chain base to support its existing nuclear fleet, which is the second-largest among all states in the nation. This supply chain base includes a nationally recognized nuclear engineering program at Penn State University, where students learn by helping manage a test reactor. In the competitive markets, to the extent nuclear has had trouble competing, it is very clear much of the cost pressures have come as a direct result of federal overregulation, not marginal operational costs. In fact as the PJM's Independent Market Monitor's most recent report noted, nuclear facilities in the 13-state grid operate with zero marginal costs just like wind and solar. However, nuclear's capacity factor, or the functional output of actual energy produced versus its theoretical maximum potential, is 93% across PJM, compared to solar at just 16% or on-shore wind at 26% - meaning nuclear is producing essentially round the clock, except for refueling and maintenance outages. Despite this, nuclear's levelized cost of energy within PJM all things considered is higher than coal or gas, in large part due to onerous regulatory requirements. Rethinking our approach to the operational and licensing requirements of nuclear, along with continuing to support research and development into the commercialization of advanced nuclear technologies, will be vital if the resource is to continue to play a vital role in the energy transition.