



**PENNSYLVANIA FOUNDRY ASSOCIATION**

P.O. Box 762 · PLYMOUTH MEETING, PA 19462

(610) 825-5126 · FAX (610) 410-8917 · [WWW.PFAWEB.ORG](http://WWW.PFAWEB.ORG)

**COMMENTS ON PA'S PROPOSED CARBON POLLUTION REDUCTION PROGRAM**

**TO THE PA ENVIRONMENTAL QUALITY BOARD**

**BY CHRIS MOYER, EXECUTIVE VICE PRESIDENT**

**DECEMBER 30, 2020**

## **PFA's Concerns with PA's Proposed Carbon Pollution Reduction Program (RGGI)**

The PA Foundry Association (PFA) appreciates the opportunity to share its concerns over PA's proposed Carbon Pollution Reduction Program (RGGI). Since the proposal largely conforms with the Regional Greenhouse Gas Initiative, it will be referred to as RGGI in these comments.

PA's foundry industry is older than the nation itself, with PA iron plantations operating back in the early 1700's. Metal casting always has been an essential industry and remains among the top in terms of value added by manufacturing.

Before the pandemic, over 10,000 jobs were provided by over 100 PA foundries. Although this is 75% below the number of PA foundry jobs and metal casting facilities that existed in 1980, the value of the castings produced has not declined. PA remains one of the leading foundry states in the nation.

The typical PA foundry is a closely held small business of less than 60 employees. Metal casting is both energy intensive and capital intensive. Foundries have the disadvantage of being smaller than both their suppliers and their customers. This creates extreme pressure to keep their costs and prices as low as possible. Any cost increase is likely to be absorbed by the foundry, since passing it to a customer could sacrifice the business.

PA foundries have been faithful environmental stewards throughout the decades. Scrap metal is melted by foundries to produce new products. Molding sand is reclaimed and recycled many times in the foundry before it is beneficially re-used in other settings. Huge sums have been invested to prevent and collect emissions to protect the health of employees and the community.

PFA is concerned that PA's implementation of RGGI at this time will create unnecessary costs during an extremely fragile economic recovery from the pandemic in return for questionable social benefits. It is instructive that PA and eight other states declined to join the Transportation and Climate Initiative (TCI) because of many of the same concerns that PFA has with RGGI.

One reason to delay joining TCI that even its supporters recognize is to await the incoming Biden administration's intentions on the issue going forward. Whether it is greenhouse gas emissions from transportation, power generation or elsewhere, there is consensus that a broad approach is preferable to a narrow approach. The same holds true regarding RGGI. It would be worthwhile for PA to see how the Biden administration intends to proceed before acting on its own.

There is serious question whether the environmental benefits created by TCI are justified by the cost of the program. The same doubts are applicable to RGGI, if not more so. Without TCI, emissions already are projected to decline by 19% over ten years. Under TCI's most stringent caps, emissions decline by just 25%. Without joining RGGI, PA's emissions fell by nearly 19% between 2005-2016. During the pandemic, US emissions of CO<sub>2</sub> have dropped another 12% compared to a decline of 11% in the European Union's carbon tax system. The Cato Institute has found no added emissions reductions associated with the RGGI program.

The impact of emission leakage to non-RGGI states has not been assessed definitively, but its risk is acknowledged by both opponents and supporters of RGGI. The PJM wholesale electricity grid operator has formed a task force to study the issue. This legitimate concern is another reason to delay PA's RGGI entry.

According to its own projections, PA's Department of Environmental Protection estimates an annual pass-through cost to consumers from RGGI's emission auction of \$320 million by 2022. The Industrial Energy Consumers of PA forecasts an annual cost to energy producers of at least \$275 million, plus the cost of purchasing cap-and-trade permits. DEP estimates that wholesale energy costs will rise by 3% by 2030 under RGGI. PA could lose its current advantage in electricity rates versus RGGI states. The CATO Institute reports that power imports more than doubled in RGGI states and jobs shifted to other states. The institute also found that the production of goods in RGGI states suffered a decline of 12% versus a gain in non-RGGI states of 20%.

Unlike current RGGI states, PA has a major coal industry, employing 17,000 directly and indirectly. The Brookings Institution predicts RGGI would have a devastating impact on the coal industry. Even DEP predicts that RGGI would accelerate the decline of coal to generate electricity by another 13% by 2030 – a total decline of 93% from today. PA should delay any action that would hamper economic recovery by existing industries.

DEP estimates the revenue from the first year of emission auctions will be about \$300 million, restricted to the Clean Air Fund for the reduction of air pollution. There also are reports of using as much as 40% of RGGI revenue to create a trust fund to assist dislocated workers, impacted communities and economic development. It is difficult to reconcile the "restrictions" of the Clean Air Fund with the other planned uses of RGGI's revenue. PA's current budget includes diversion of over \$380 million from special funds to the General Fund. There needs to be far more transparency in the authorized uses of RGGI revenue before PA proceeds with the program.

The health benefits of TCI over the next decade would be substantial, according to university-based research. Similar health benefits have been ascribed to RGGI. The Cato Institute, however, has found no associated health benefits from the RGGI program. TCI's estimated health benefits were insufficient justification for PA and eight of the other eleven candidate states to join TCI now. PA should take a similar delay with respect to RGGI.

PFA is convinced that PA's economic, environmental, and social interests would best be served by a delay in proceeding with RGGI. A delay would be especially prudent while President-elect Biden's policy on greenhouse gas mitigation is developed and until PA's economic recovery is secured. Thank you for considering PFA's concerns.