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Before the
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Impacts of U.S. EPA's Proposed
Clean Power Plan

Good morning, Chairman Miller, Democratic Chair Vitali, and distinguished members of the Committee.

I am Phil Smith, Director of Government Affairs for the UMWA. The UMWA appreciates the opportunity to testify today on the impacts of EPA's proposed Clean Power Plan.

We strongly support legislation that has been passed in the Pennsylvania House (HB 2354) specifying procedures for the development of any Pennsylvania plan to comply with EPA's proposed carbon emission guidelines, including legislative approval of any plan to be submitted to U.S. EPA.

More than seven thousand UMWA and other union members joined together for a peaceful rally and protest march in Pittsburgh on July 31st while U.S. EPA was holding public hearings on the proposed rule. We chose this form of public expression to make clear to the citizens of Pennsylvania both the gravity of this rule's potential job impacts, and our commitment to protecting our members' jobs and economic well-being.

EPA's Clean Power Plan

On June 18, 2014, EPA published in the Federal Register proposed guidelines for reducing CO2 emissions from fossil-fueled power plants. The overall reduction is equivalent to a 30% cut from 2005 emissions, but is measured against each state's 2012 emission rate in pounds of CO2 per Megawatt-hour (MWh) of fossil-based electric generation.

EPA has provided interim and final targets for each state to meet in terms of reduced CO2 per Megawatt-hour (MWh) of electric generation. Progress toward meeting the interim target is to begin by 2020, with the final target to be achieved by 2030.

capacity will retire over the next few years in response to the MATS rule and other factors (DOE/EIA AEO 2014).

Impacts on Pennsylvania Coal and Jobs

Pennsylvania is the 4th largest coal-producing state. Based on 2012 data from the U.S Department of Energy and U.S. Department of Commerce, we estimate that Pennsylvania's 54.7 million tons of coal production in 2012 generated $9.4 billion of state economic output, $2.3 billion of household income, and 48,500 direct and indirect jobs.[1] Estimating the impact of EPA's proposed Clean Power Plan on Pennsylvania coal and mining-related employment is difficult due to the uncertainty about the compliance methods that the Commonwealth and its electric generators would choose to meet EPA's targets.

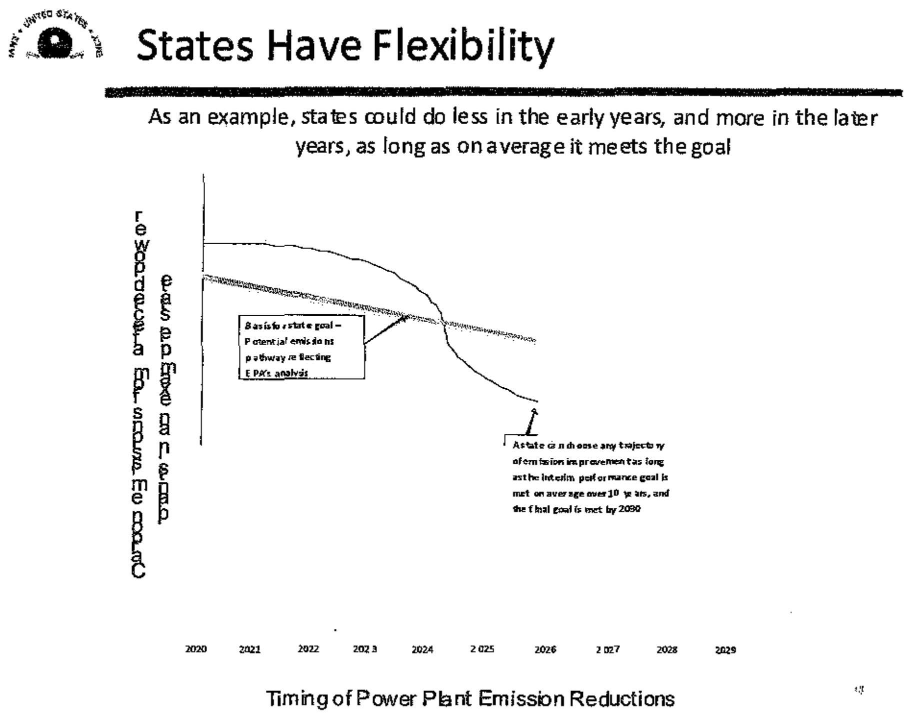
The UMWA has analyzed EPA's Regulatory Impact Analysis for the proposed Clean Power rule in order to estimate the national direct and indirect job impacts associated with implementation of this rule.

Attached to this statement is a summary of our assessment of the potential job impacts of the Clean Power Plan. Our findings, based mainly on EPA's Regulatory Impact Analysis of the proposed rule, are:

- National coal production for electric generation declines by 25% to 27% in 2020 due to the Clean Power Plan from a 2020 base case level of 844 million tons to 616 to 636 million tons under EPA's regional and state compliance options.
- Coal production in Appalachia declines from a 2020 base case level of 140 million tons to 87 to 91 million tons in that year, a reduction of 35% to 37%. Historically, Pennsylvania alone has produced some 70 million tons annually.
- Coal-based generating capacity declines by 41 to 49 Gigawatts in 2020, from 244 GW to 195-198 GW with the Clean Power Plan.
- Estimated direct utility, rail and coal permanent jobs at risk in 2020 are 52,000 for the Clean Power rule.
- Estimated total direct and indirect jobs at risk in 2020 are 167,000 for the Clean Power rule. The indirect jobs at risk - typically in coal-dependent communities - are estimated using a U.S. Department of Commerce multiplier for the electric utility industry.
- The cumulative (discounted at 3%) loss of wages and benefits for direct and indirect jobs at risk from 2015 to 2035 are $52 billion for direct jobs, and $126 billion for direct and

[1] Calculated from EIA 2012 Annual Coal Report and U.S. Department of Commerce RIMS II economic multipliers for the Pennsylvania coal mining sector.

EPA's compliance timetable is unrealistic and unachievable, even with multi-year compliance averaging toward the interim and final targets. The "glide path" that EPA envisions for state compliance is more like a roller coaster: states emitting above their interim targets in the initial years of the program must reduce well below their target in later years. An EPA chart depicting this path illustrates the infeasibility of achieving extreme reductions in the later years of the program:



Source: U.S. EPA

The initial reduction program should be delayed by several years to allow states and affected sources adequate time to prepare and submit state plans, and to structure and implement their compliance strategies, including permitting and construction of transmission line upgrades and pipeline infrastructure.

We also believe that the interim target should be modified in the final rule to a "reasonable progress" or similar aspirational requirement. The interim target is the principal reason that the adverse impacts of the rule are front-loaded to 2020.

Increasing the dispatch of natural gas combined cycle units, on top of the 40 GW of new NGCC capacity that EPA projects to come on-line from 2020 to 2030, would lead to significant increases in natural gas prices well above EPA's projections – this price increase will be further stimulated by LNG exports. Analysis at UBS project that utility gas demand may rise three-fold

218, 231 (1994); *Industrial Union Dept., AFL-CIO v. American Petroleum Institute*, 448 U.S. 607, 645-646 (1980) (plurality opinion). Slip Op. at 19 (emphasis added.)

In the case of the Clean Power Plan, EPA seeks to do just what the Court rejects: to vastly expand its regulatory authority without Congressional approval, by discovering in *"a long-extant statute an unheralded"* power in Section 111(d) of the Act. EPA has relied on Section 111(d) on five previous occasions, mainly for the control of emissions from waste incinerators.

The Clean Power Plan's natural gas redispatch, energy efficiency, and renewable energy "building blocks" are clear instances of over-reaching into areas traditionally reserved to the sovereign authority of the states. Congress itself has been unwilling to develop national renewable energy standards, recognizing the wide diversity of state laws in existence, and the disparate capabilities to deploy renewable resources among states.

Conclusion

EPA's Clean Power rule is currently subject to a 120-day comment period. All interested parties should engage the agency in efforts to moderate the rule, limiting its scope to greenhouse gas emission reductions that can feasibly be achieved at individual sources. PA DEP's proposal for revising the NSR applicability test to encourage investments in power plant efficiency improvements is a good example of a constructive approach to greenhouse gas management at existing sources.

Pennsylvania has been a leader in renewable energy development, and the legislature has carefully crafted standards that are suited to the Commonwealth's specific renewable energy potential. While Pennsylvania is rich in natural gas reserves, mandates to re-dispatch natural gas units at the expense of coal generation could lead to even further retirements of coal capacity, with massive loss of wages and jobs in coal-dependent communities.

The UMWA thanks the Committee for the opportunity to testify today on this issue of critical importance to Pennsylvania's coal miners and the communities they help to support. UMWA's health and pension funds are critically dependent upon maintaining our active workforce. We cannot afford this EPA rule.

*DIRECT JOB LOSSES ESTIMATED AT 0.17 COAL/RAIL/UTILITY JOBS PER GWh (ENERGY VENTURES ANALYSIS, 2007). DIRECT EFFECT RIMS II TYPE II JOBS-TO-JOBS MULTIPLIERS FOR STATE-SPECIFIC ELECTRIC POWER GENERATION FROM U.S. DEPT OF COMMERCE, BUREAU OF ECONOMIIC ANALYSIS, BASED ON 2002 BENCHMARK INPUT-OUTPUT TABLES FOR THE NATION AND 2010 REGIONAL DATA (2013). WEIGHTED AVERAGE IS 3.188 TOTAL DIRECT AND INDIRECT JOBS PER ONE DIRECT JOB BASED ON AVERAGE 2012-2013 COAL GENERATION BY STATE. DIRECT AND INDIRECT JOBS REDUCED BY -15% TO REFLECT MIX OF FULL-TIME AND PART-TIME EMPLOYMENT.

ESTIMATED CUMULATIVE GROSS DIRECT AND INDIRECT JOB-YEARS AT RISK DUE TO CLEAN POWER PLAN
BASED ON RIMS II TYPE II ELECTRIC UTILITY MULTIPLIERS (GENERATION WEIGHTED BY STATE)

YEAR	JOB-YEARS AT RISK	
	DIRECT	DIRECT + INDIRECT
2015	0	0
2016	-10,491	-33,444
2017	-31,472	-100,333
2018	-62,944	-200,666
2019	-104,907	-334,444
2020	-157,361	-501,665
2021	-212,386	-677,087
2022	-269,984	-860,708
2023	-330,154	-1,052,530
2024	-392,896	-1,252,551
2025	-458,210	-1,460,772
2026	-523,524	-1,668,993
2027	-588,838	-1,877,214
2028	-654,152	-2,085,435
2029	-719,466	-2,293,656
2030	-784,780	-2,501,877
2031	-850,094	-2,710,098
2032	-915,408	-2,918,319
2033	-980,722	-3,126,540
2034	-1,046,036	-3,334,761
2035	-1,111,350	-3,542,982

SEE NOTES ABOVE.

ESTIMATED POTENTIAL ANNUAL GROSS WAGES AND BENEFITS AT RISK DUE TO CLEAN POWER PLAN
AT ASSUMED $65K AVG DIRECT JOB-YEAR AND $50K AVG DIRECT AND INDIRECT JOB-YEAR
(IN BILLION 2014 $)

YEAR	WAGES & BENEFITS AT RISK	
	DIRECT	DIRECT + INDIRECT
2015	$0	$0
2016	-$1	-$2
2017	-$1	-$3
2018	-$2	-$5
2019	-$3	-$7
2020	-$3	-$8
2021	-$4	-$9
2022	-$4	-$9
2023	-$4	-$10
2024	-$4	-$10
2025	-$4	-$10
2026	-$4	-$10
2027	-$4	-$10
2028	-$4	-$10
2029	-$4	-$10
2030	-$4	-$10
2031	-$4	-$10
2032	-$4	-$10
2033	-$4	-$10
2034	-$4	-$10
2035	-$4	-$10
TOTALS	($72)	($177)
NPV@3% DISC	($52)	($126)

NOTE: ASSUMES AVERAGE DIRECT JOB WAGES AND BENEFITS OF $65K/YR AND AVERAGE DIRECT AND INDIRECT WAGES AND BENEFITS OF $50K/YR. JOB-YEARS REDUCED BY 15% TO REFLECT A MIX OF FULL-TIME AND PART-TIME EMPLOYMENT.