**ALABAMA’S OPPOSITION TO U.S. EPA’S**

**CLEAN POWER PLAN**

**Testimony of Blaine Galliher**

**Senior Advisor to Governor Robert Bentley**

Good morning, Madam Chairman and Members of this Panel:

My name is Blaine Galliher, and I am the Senior Advisor to Alabama’s Governor, Robert Bentley. My comments today reflect Governor Bentley’s deep philosophical belief and concern with EPA’s proposed environmental regulations. These regulations will dictate how utilities generate power and how consumers use that power for decades to come. In doing so, the proposal effectively restructures the electric sector.

**THE COSTS ARE REAL -- THE BENEFITS ARE NOT.**

The link between affordable energy and economic growth cannot be ignored. Throughout Governor Bentley’s term, Alabama has aggressively pursued new industry and jobs. Alabama’s manufacturing industry has proven to be extremely valuable to our economy. In 2011, the manufacturing sector provided more than 237,000 direct jobs in Alabama, and created many more *indirect* jobs and small businesses.[[1]](#footnote-1) Alabama’s manufacturing industry also produced more than $13 billion in exports.[[2]](#footnote-2) These economic contributions depend on low cost energy. But compliance with the proposal for reductions in CO2 emissions by almost 30% will directly cost the state by cost of compliance, increased energy rates, loss of jobs and industry, including coal-industry and related jobs, and the negative impact of lessened energy reliability.

The U.S. Chamber of Commerce predicts that the compliance cost for these new regulations will be $28 billion each year to 2030, which is a cumulative total of nearly $480 billion.[[3]](#footnote-3) This is three times larger than EPA’s estimate.

Rising electric rates will damage our Gross Domestic Product (GDP). According to estimates, the loss in GDP will be $50 billion per year, peaking at $100 billion in 2025.[[4]](#footnote-4) To bring these numbers into perspective, a typical family in Alabama would lose monthly disposable income during the time contemplated by the regulation resulting from higher utility rates.[[5]](#footnote-5) The impact on Alabama’s poorer families is disproportionate and devastating.

While it is abundantly clear that Alabama will incur these costs, the benefits are vague. Any claim that the proposed guidelines will make a material difference in global temperatures is dubious at best. Theoretically, the rule *might* reduce global concentration of carbon dioxide by less than one percent, and it *might* reduce global temperatures by less than a hundredth of a degree.[[6]](#footnote-6)

**EPA’S PROPOSAL EXCEEDS LEGAL AUTHORITY UNDER THE CLEAN AIR ACT**

By this proposal, EPA attempts to require action by entities which are not directly subject to regulation under the Clean Air Act. In doing so, EPA exceeds its authority. The Clean Air Act forbids Section 111(d) regulations based on emission reductions that cannot be achieved at individual facilities. EPA’s goal calculation to be imposed on Alabama cannot meet this requirement, but instead relies on reductions by an entire system, state, and region to include facilities and state governments acting in tandem.[[7]](#footnote-7)

EPA also improperly and outside of its authority seeks to impose additional regulations under Section 111(d) of the Act on existing source categories already regulated. There is no question that existing coal-fired electric generating units are already regulated by Section 112. Therefore, these may not be further regulated under Section 111(d) as EPA seeks to do.

EPA seeks to perform an “end run” around the Congressional mandate of the Clean Air Act and violates Congress’ plain intent of Section 112. This overreach ignores the constitutional principle of separation of powers, and, as a result, runs headlong into the sovereign right of the States to protect the general welfare of their citizens.

**INCREASED ELECTRICITY COSTS AND IMPACTS ON RELIABILITY**

Historically, Alabama’s retail electricity suppliers have achieved reliable, affordable energy by maintaining a balanced mix of resources, including hydro-electric, coal, natural gas, nuclear, and renewables. The proposed rule effectively bans traditional coal-fired generating technology as a future supply option. This effective ban is despite the fact that this technology has provided reliable, cost effective electricity to Alabama consumers for decades. The predictable result will be both a sharp increase in cost for energy to Alabama households and businesses and a noticeable decrease in energy reliability.

Coal plant retirement would result in a diminished capacity of 114 gigawatts, or about 40% of existing capacity.[[8]](#footnote-8) EPA’s proposal jeopardizes reliability by reducing available resources for power generation during peak times of use and demand. The extreme cold of last winter provides the unmistakable lesson that fuel diversity is necessary to achieve both energy reliability and a cost effective solution to our nation’s power needs.

While EPA promises Alabama and other states “flexibility,” it actually deprives them of the most meaningful flexibility - by reducing their use of the lowest cost and most reliable sources of electricity generation - coal-fired generating plants and hydro-electric generation from *existing* plants. This shift forces reliance on more expensive, volatile, and intermittent energy sources, such as wind and solar[[9]](#footnote-9) and forces natural gas to bear an increased burden. As demand for natural gas increases, so too will its cost. The loss of the low cost energy source of coal will adversely impact Alabama’s ability to retain existing industry, attract industry, and create jobs in our state.

**THE IMPACT ON ALABAMA MINERS AND COAL PRODUCTION.**

Governor Bentley is gravely concerned that the EPA’s proposal will adversely affect the coal production industry and its employees. The coal mining industry is very important to Alabama’s economy and employs more than 4,500 workers. In 2013, Alabama mining companies had more layoffs in our state than any other industry.[[10]](#footnote-10)

Not only does the coal industry support many direct jobs, it also supports many other businesses that provide ancillary services to the mining industry, creating even more jobs for Alabamians. Those related businesses include railway, transportation, trucking, and manufacturers of mining equipment. If the EPA moves forward with these regulations and proposed carbon standards, many of the indirect jobs in Alabama are at risk.

Alabama believes that the proposed guidelines, if they become effective in 2015, will condemn 50% of the Alabama miners to the unemployment line and result in a much lower standard of living for the families of miners. Today in our state, there are many hard-working families who depend on the coal industry to make an honest living and who will not be able to maintain that standard of living if the proposed GHG standards are promulgated by the EPA.

**CONCLUSION**

The State of Alabama and Governor Bentley strongly oppose EPA’s proposed mandate to effectively restructure the electric sector. It will have disastrous consequences for Alabama’s economy, result in costs to implement, reduce electric power reliability and increase the cost of power to Alabama families and business. The proposal will devastate the Alabama coal industry. EPA seeks to expand the scope and reach of Section 111(d) and would do so at the expense of Alabama’s authority that is expressly identified and preserved in the Clean Air Act. The minute effect on global warming and the vague health benefits to Alabama citizens comes at too high a price. There is simply no rationale that can support this regulation.

In summary, the Agency should heed the collective warnings of interested stakeholders, and, in the end, halt this regulation.

1. National Association of Manufacturers, “Alabama Manufacturing Facts”. [↑](#footnote-ref-1)
2. Semmon Chang, Ph.D., “The Importance of the Manufacturing Industry to the Alabama Economy and the Role of Electricity”, Consulting Report, November 2011. [↑](#footnote-ref-2)
3. Institute for 21st Century Energy, U.S. Chamber of Commerce, “Assessing the Impact of Potential New Carbon Regulations in the United States,” pg. 4. [↑](#footnote-ref-3)
4. Institute for 21st Century Energy, U.S. Chamber of Commerce, “Assessing the Impact of Potential New Carbon Regulations in the United States,” pp. 2, 6-7. [↑](#footnote-ref-4)
5. Institute for 21st Century Energy, U.S. Chamber of Commerce, “Assessing the Impact of Potential New Carbon Regulations in the United States,” p. 7. [↑](#footnote-ref-5)
6. American Coalition for Clean Coal Electricity (ACCCE), “Six Major Myths About EPA’s Proposed Carbon Regulations.” [↑](#footnote-ref-6)
7. Testimony of Alabama Attorney General Strange before the Senate Committee on Environment & Public Works Subcommittee on Clean Air and Nuclear Safety, June 18, 2014. [↑](#footnote-ref-7)
8. U.S. Chamber of Commerce, “Assessing Impact of Potential New Carbon Regulations in the United States,” p. 3. [↑](#footnote-ref-8)
9. 79 Fed.Reg. 34867. [↑](#footnote-ref-9)
10. Birmingham Business Journal, February 21, 2014. [↑](#footnote-ref-10)