

Nowakowski, Sonja

From: Dick Barrett <rnewbar@gmail.com>
Sent: Monday, July 28, 2014 8:52 PM
To: Cliff Larsen
Cc: Nowakowski, Sonja
Subject: EITC Letter on Carbon Rules
Attachments: CCF07212014.pdf

Senator Cliff Larsen, Chair
Energy and Telecommunications Interim Committee

Dear Sen. Larsen:

It has come to our attention that at the last meeting of the Energy and Telecommunications Interim Committee, Rep. Regier proposed that the committee send a letter to President Obama (copy attached) expressing the committee's adamant opposition to the newly proposed EPA regulations limiting emissions of carbon from existing electric generating units. We write to express our own equally adamant opposition to sending any such letter, but particularly the letter in question. We do so for two reasons.

1. The letter contains multiple statements of "fact" which are either questionable or patently incorrect:

a. The letter states the "The affect [sic] of the new rules will be devastating for Montana which has the nation's largest coal reserves." This conclusion is unwarranted. Although reducing carbon emissions will inevitably require reduced domestic use of coal (unless cost-effective sequestration can be brought on line), at this point it is impossible to know how much Montana's production will be reduced. Suffice it to say that nothing in the proposed regulations suggests that production will be eliminated, and any reduction in output and employment in the coal industry that does occur will represent a very small fraction of output and employment in the state as a whole. Moreover, to the extent that the regulations call for accelerated development of renewables and energy efficiency investments, there will be positive impacts on employment and output offsetting negative impacts in the coal industry. Accordingly, it is incorrect to conclude that the impact of the regulations will be "devastating."

b. The letter states that "A U.S. Chamber of Commerce study estimates the new rules will cost \$50 billion a year to businesses and \$550 billion a year to household income." No part of this statement is correct. The U.S. Chamber of Commerce study mentioned did not estimate the impact of the rules proposed by the EPA, but rather the impact of another set of rules leading to a substantially larger reduction in emissions. The \$50 billion cost refers not to a cost "to businesses" but to the economy as a whole in the form of a reduction of GDP of less than one half on one percent. And the reduction in household income of \$550 billion (actually, the Chamber of

Commerce report puts the figure at \$586 billion) refers to the reduction over the entire period of 2014 to 2030, not in the reduction per year. The annual reduction in disposable income over this period would be about \$200 per household, which is about one third of one percent of current annual median household income.

c. The letter states that “Higher utility rates for hundreds of thousands of Montanans that get their electricity from coal would make it rougher to make ends meet and force low income people into poverty.” The fact is that no one will know with any confidence, until a state plan for implementing the proposed regulations is developed, what the impact on rates will be. But it is clear that in developing emission reduction targets for each state, the EPA considered the availability of measures to reduce emissions that could be taken advantage of at relatively low cost. Stated otherwise, the EPA standards are designed in such a way that states will not be forced to incur high costs, or substantially raise prices, in order to reduce emissions. Indeed, the agency estimates that the effect of the regulations on energy prices will be within the normal range of variability of these prices due to other factors. In the case of Montana specifically, the EPA proposes that the state reduce its emissions by 21 rather than the national average of 30 percent; this goal is readily achievable, at low cost, through the production of renewable energy, enhanced energy efficiency, and the already planned shutdown of obsolete coal fired electric generating units.

2. Our second, and more fundamental objection to the proposed letter is that it fails to recognize that the rules that it attacks are there for a reason, namely to address the absolutely critical problem of climate change. To evaluate this policy proposal without reference to its purpose, and only on the basis of its grossly misrepresented costs, would be, in our view, irresponsible and neglectful of the Legislature’s duty to serve the interests of all Montanans, now and in the future. We believe that the Legislature must recognize that through its impact on sea levels and temperatures, ocean acidification, the frequency and severity of extreme weather events, forest conditions and other natural systems, climate change threatens profound damage to the world’s peoples and economies. If anything, we would urge the committee to communicate to the Governor the willingness of the Legislature to work with him and his agencies to develop a thoughtful and effective state plan to implement the proposed standards, and to join with other states in providing leadership to the international community is addressing this most serious of global threats.

We ask that you share this letter with members of EITC at your earliest convenience. We have provided Ms. Nowakowski with a copy.

Sen. Dick Barrett

Sen. Tom Facey

Rep. Margaret MacDonald

Rep. Franke Wilmer

Rep. Doug Coffin

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Sen. Dick Barrett - District 47 - Montana State Senate

Home: 219 Agnes, Missoula, MT 59801

Call: [\(406\) 721-3695](tel:4067213695) (H), [\(406\) 396-3256](tel:4063963256) (C)

Mr. President:

On June 2nd the Environmental Protection Agency announced new regulations on coal-fired power plants that seek to cut CO2 emissions by 30% by 2030 compared to 2005 levels. The Montana Energy and Telecommunications Interim Committee is adamantly opposed to the EPA setting these rules.

The affect of the new rules will be devastating for Montana which has the nation's largest coal reserves. A U.S. Chamber of Commerce study estimates the new rules will cost \$50 billion a year to businesses and \$550 billion a year to household income. With an abundance of coal in MT the negative effect of the new rules could be greater than in other states. Many coal related jobs at Colstrip and the Crow Reservation would be threatened. Higher utility rates for hundreds of thousands of Montanans that get their electricity from coal would make it tougher to make ends meet and force low income people into poverty. Montana's Coal Tax Trust Fund has close to one billion dollars that provides over \$50 million a year to government services and programs benefiting the public. That continued funding will be in jeopardy with the new EPA rules.

We urge you to rescind the new EPA coal-fired power plant rules and put the issue for Congress to deal with. Regulations made by agencies that are not elected make poor representation. The House and Senate need to debate these rules before they are put into law.

Sincerely,