

NORTHWEST INDUSTRIAL GAS USERS

326 Fifth Street
Lake Oswego, Oregon 97034

TELEPHONE: 503-303-4061
FACSIMILE: 503-303-4914

Edward A. Finklea
Executive Director

E-Mail: efinklea@nwigu.org

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RE: Testimony On Carbon Policy and SB 965 and HB 3470

Dear Chair Edwards and Members of the Committee:

Thank you for providing the Northwest Industrial Gas Users with an opportunity to submit written testimony to the Senate Environment and Natural Resources Committee public hearing regarding greenhouse gas emission policies and carbon pricing.

The Northwest Industrial Gas Users have 41 members that use natural gas in their businesses in Oregon, Washington and Idaho. Approximately 20 of our members have Oregon facilities in such diverse businesses as food processing, pulp and paper, wood products, steel, specialty metals, chemicals, computer chip making, aerospace, and large hospitals. Our members employ tens of thousands of Oregonians in positions that pay family wages.

My members support measures to reduce carbon emissions in Oregon. Oregonians should rightfully be proud of the wide range of laws passed over decades to promote clean energy development and energy efficiency in our businesses and homes. We share your concerns about rising carbon dioxide emissions worldwide. Our members are proud to be leaders in energy efficiency in our use of natural gas. However, we oppose SB 965 and HB 3470.

We are very concerned about the impact a cap and trade or cap and dividend proposal would have on businesses and individuals that are dependent on using natural gas in Oregon. The economy-wide cost of pricing carbon dioxide emissions at \$30 per ton is nearly \$400 million for all natural gas consumers in Oregon.

We are particularly concerned about the impact any cap and dividend program, even one that is revenue neutral, would have on individuals that use more than the average amount of energy, and on energy intensive, trade dependent businesses. These individuals and businesses have much in common, as high energy costs are more significant for them than for other businesses and individuals. The proposed cap and dividend program raises very significant equity issues.

Oregon should be trying to retain current manufacturers and attract new operations, both for middle class job creation and to reduce global carbon dioxide emissions. Oregon companies have much smaller carbon footprints than global competitors in China, India, and Southeast Asia, and in other parts of the US. Aggressive carbon pricing by Oregon could have the unintended consequence of causing leakage of emissions to other global locations, as manufacturing leaves Oregon for lower cost areas where electricity is far more carbon intensive. Oregon would lose jobs, but not reduce global carbon dioxide emissions. We need to think and act globally to effectively reduce world-wide carbon emissions.

We urge the legislature to more carefully examine the data coming out of California on what is happening from their implementation of cap and trade. California's economy is improving since the recession, but it lags behind the US in manufacturing job growth, with US growth at 7.52 percent since January 2010, but California up only 1.93 percent. High energy costs are cited by California manufacturers as a reason for a weak manufacturing sector that struggles to grow in part because of high energy prices. Oregon has far more energy intensive businesses than California and a healthier manufacturing sector. The impact of a carbon price on Oregon's economy could be even greater than in California.

Capping emissions and then forcing businesses and individuals to buy allowances for the express purpose of raising fossil fuel prices is simply the wrong tool for Oregon to use to address climate change. Acting alone as a state does little for carbon reduction, but has a large impact on the price of energy in our state compared to others. We estimate that natural gas prices would go up approximately 20 percent for the average individual or business with a \$30 per ton carbon price.

The Northwest Industrial Gas Users urge the legislature to focus carbon reduction efforts in four areas.

First, continue being a leader in energy efficiency by continuing existing programs and expanding energy efficiency programs where prudent.

Second, encourage individuals and businesses to use natural gas where appropriate instead of coal and oil. Natural gas reduces carbon dioxide emissions by 50% when switching from coal and 25 % when switching from oil. Mercury, particulate matter and NO2 and SO2 emissions are all nearly eliminated when natural gas is burned instead of coal and oil.

Third, continue to promote renewable energy.

Finally, look for a way to fund research in game changing technologies that would de-carbonize the global economy, such as grid level battery storage.

My organization is working with the Oregon Public Utility Commission and the state's three gas utilities to implement SB 844, passed in 2013. It is a voluntary carbon reduction program. There are real projects on the horizon that through ratepayer funded incentives will cost-effectively reduce carbon emissions through greater use of natural gas. We are working with Oregon gas utilities to make those projects a reality.

In conclusion, Oregon is already a leader in the fight against rising carbon dioxide levels worldwide. It does not need state-imposed carbon prices to continue being a national and international leader. NWIGU opposes SB 965 and HB 3470 because these proposals impose unfair and unnecessary burdens on some individuals and business, and especially on Oregon's energy intensive manufacturers.

Thank you for your consideration.

Ed Finklea
Executive Director
Northwest Industrial Gas Users