

Testimony of The Honorable Andy Thompson
Ohio State Representative
Before the
House Committee on Oversight and Government Reform
Subcommittee on Regulatory Affairs, Stimulus Oversight & Government
Spending
Field Hearing

"The Green Agenda & the War on Coal: Perspectives from the Ohio Valley"
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Mr. Chairman and members of the Subcommittee, thank you for inviting me to testify at this hearing. My name is Andy Thompson. I am in my first term representing Ohio's 93rd District in the State House of Representatives. The 93rd District currently includes the counties of Guernsey, Noble and Munroe, as well as portions of Washington and Muskingum Counties. Before being elected to the State Legislature, I served on the Marietta City Council for three terms, getting elected to my final term in 2009. I appreciate the opportunity to speak before you today about the impacts of the Obama Administration's ill-advised energy and environmental policies and their impacts here in Ohio.

Today I would like to discuss:

1. The Administration's war on Coal and the impact on coal jobs,
2. The impact on utility jobs and the greater coal communities,
3. What this means for manufacturing in Ohio, and
4. How this impacts our growing natural gas industry.

The War on Coal

This is coal country, and here in eastern Ohio we rely on coal not only for electricity, but also for good-paying jobs and a strong tax base to help provide critical services. Coal not only provides jobs for our miners, equipment operators and support personnel – it also provides many jobs in the surrounding communities where coal industry employees work and live. For example, a study from Pennsylvania State University has demonstrated that every direct coal mining job supports 11 other jobs in such areas as trucking, railroads and equipment suppliers, as well as local businesses such as restaurants, stores, and gas stations. Coal has been integral to the well-being of eastern Ohio's communities for many, many years. When coal is doing well, we all do well. But unfortunately, coal is in a tough spot right now. Many of the environmental policies that the Obama Administration has undertaken in recent years have caused substantial hardship in our region, and I fear that this may only be the beginning.

Just last week, a major coal mine in my district announced that it was laying off 29 workers in direct response to several Obama Administration policies aimed at coal. Not too long before

that, I learned of a surface mining company in Noble County that cannot get any new permits approved by the Corps of Engineers and the Environmental Protection Agency. This company has mined almost all of its permitted property but now is considering shutting down operations because the government has not granted it new permits. These are just two of the many troubling examples that have been brought to my attention recently.

As every elected official knows, this is county fair season, and at every fair that I have been to, people have come up to me and expressed deep concerns about the War on Coal and what it means for our communities and for eastern Ohio. These people have spouses, brothers and uncles in the mining business and they are all scared for its future, and for their own. I hear about this more than any other issue. People in eastern Ohio are deeply concerned that the War on Coal is going to ruin their livelihoods, their families, and their communities.

There are a number of regulations being pursued by the Obama Administration and several of its agencies that seek to attack coal. It starts with permitting, where several Administration efforts are making it increasingly difficult to get new coal mines permitted. From scaling back general permits to retroactively vetoing permits for mines that are already operating, these permitting reforms are a major obstacle to developing our coal resources. When it comes to mining, there are two major proposals being pushed by the Obama Administration that will have an enormous adverse impact: the Mine Safety and Health Administration's Respirable Mine Dust Regulation and the Office of Surface Mining's rewrite of the Stream Buffer Zone Rule. These proposals will essentially make it too expensive for coal producers to continue mining mainly because they will not be able to comply with new federal standards that are unachievable and cost-prohibitive. On the issue of burning coal to generate electricity, one need look no further than the EPA, which in the last year finalized two regulations that are already forcing the shutdown of coal-fired power plants in our state. Those regulations are EPA's Utility MACT Rule and the Cross-State Air Pollution Rule. I will provide additional examples, details and statistics on these rules later in my testimony, but for now I will say that these proposals are going to shut down an enormous percentage of coal-fired generation here in Ohio and across the country.

Impacts to Utilities and Communities

When you hear about layoffs in the coal industry you generally think about coal miners and others who work at a mine, and that is understandable because they are the first ones to lose their jobs and their livelihoods when a coal mine gets shut down. But we also need to be thinking about what is going to happen to people who work at the coal-fired facilities that are being shut down. Those layoffs are starting to happen right here in Ohio. For example:

- AEP will shut down five units at the Muskingum River in Beverly, costing 128 jobs.
- AEP will shut down one unit at the Conesville Generating Station, impacting 20 jobs.
- AEP will shut down one unit for nine months annually at its Picway plant near Lockbourne, costing 24 jobs.
- Duke will shut down one of its generating units at its Beckjord Station in New Richmond, Ohio, impacting 120 jobs.
- First Energy will close units at its Bayshore, Eastlake, Lakeshore and Ashtabula locations, jeopardizing up to 530 jobs.

- GenOn will shut two units at its Avon Lake plan, losing 80 jobs.
- GenOn will shut two units at its Niles plan, impacting 40 jobs.

But Ohio alone will not be the only state in our region to feel the effects from the War on Coal. Two facilities are slated to shut their doors on the other side of the border in Pennsylvania, and three are going to shut down across the river in West Virginia. When you add in the job losses in West Virginia and Pennsylvania, we are talking about nearly 9,000 direct, indirect and induced jobs in the Ohio Valley.

I would like to explore this and its impacts a little further, Mr. Chairman. Unfortunately, Ohio offers a very good case study of what happens when an industry comes under attack and what happens to the many people and communities that rely on that industry for direct and indirect jobs. On the opposite end of the state, in northern Ohio on Lake Erie, is a town called Avon Lake. It is a community of 23,000 residents roughly twenty miles from Cleveland. On February 29th of this year, a large utility announced that it would close its coal and oil-fired generating facility in Avon Lake in 2015. As is the case with many of these utilities, the operator made clear that the facility could not comply with the rising costs of EPA's air regulations and that it would simply be too expensive to comply and keep the facility open. 80 direct employees will lose their jobs once the facility is closed, and these are high-paying, high-skilled jobs. But that is not the only impact. There will be enormous, real-world ripple effects in Avon Lake. For example, closure of the facility will cost the city over \$77,000 in income taxes and at least \$268,000 in property taxes annually. These losses will impact the normal functions of government but they will go deeper than that: Avon Lake EMS will lose about \$50,000 annually, which is about a 50 percent reduction in its budget. That will impact critical medical programs like ambulance maintenance and repair, training and education of paramedics, and so on.

Avon Lake is only one example, but this is what we are looking at across Ohio if the Administration does not change course. Layoffs at the closed plants will be the beginning, but the ripple effects will hit everything from EMS to schools to the local road departments and municipal park systems. As many of you here today know, Ohio has some large cities but we have many, many small towns that will often times rely on one or a handful of facilities, whether it is a coal plant or a steel plant or a chemical facility. When those facilities shut their doors, everybody is affected. People leave town and go elsewhere looking for work. What is happening in Avon Lake is tragic, but it will be more tragic if it happens again, somewhere else.

What It Means for Manufacturing

Ohio is a manufacturing state, and it always has been. Our manufacturing base has taken a hit in recent years but we are adapting to a new economy and pursuing new opportunities. Ohio remains a very strong state for manufacturing. The energy boom in the Midwest has provided many opportunities that Ohioans are excited to pursue, but those opportunities are running head on into the Obama Administration's environmental policies. Let me provide a key example: The largest manufacturer in Ohio is Ormet Corporation in Monroe County, which is an aluminum producer. The Company's aluminum smelter, located in Hannibal, Ohio, is capable of producing 270,000 tons of aluminum per year. The company sells its aluminum to aluminum rolling mills, which make flat rolled products that are used to make beverage cans, transportation,

construction, appliance and other general industrial applications. Ormet had employed roughly 1,100 employees with more than 900 represented by the United Steelworkers Union, but the company just announced that it was laying off 90 – 100 of them due to concerns about increasing electricity prices. We are going to continue seeing this at other manufacturing facilities, both large and small, all across Ohio.

The Prospects for Natural Gas

Mr. Chairman, coal is not the only industry taking the brunt of this Administration's destructive environmental policies. Unfortunately, despite the unprecedented boom in natural gas production in our state, environmentalists and the Obama Administration are also starting to turn a negative eye to natural gas. Before describing these attacks, I would like to speak a little about shale gas industry in Ohio.

I happen to represent the largest shale play in the United States, known as the Marcellus Shale Formation. The Energy Information Administration estimates that the Marcellus Shale formation in the Eastern United States contains approximately 140 trillion cubic feet of natural gas. Because of our coal and natural gas resources the Ohio River Valley should be the energy capital of America. We recently formed the Ohio Shale Coalition, which seeks to bring the attention of the world to the opportunities for shale gas development in Ohio. The Coalition is a diverse, statewide partnership that wants to maximize the opportunities provided by shale gas in our state, including economic development organizations, local chambers of commerce and individual businesses. I also want to make note of the U.S. Chamber of Commerce's recent creation of the "Shale Works for US" campaign, which is a grassroots effort pushing for policies that will foster shale development, which will include fighting some of these unnecessary regulations that can only harm the potential of shale gas in Ohio and other states. These efforts are working, as people are paying more and more attention to the manufacturing opportunities in Ohio. Steel producers are making investments in Ohio and towns like Youngstown and Steubenville are experiencing low unemployment thanks to this energy boom. Shale gas can be a game changer for Ohio and for the country and it can play a pivotal role in rejuvenating American manufacturing, but the government needs to be a willing partner.

But unfortunately, it looks increasingly likely that the Administration and environmentalists are turning their attention to natural gas. I am sure that everyone here knows about the "Beyond Coal" campaign run by the Sierra Club. Now, they are beginning a "Beyond Natural Gas" campaign, which will attempt to shed the same negative light on the natural gas industry that it did on the coal industry. And the Obama Administration is not far behind. For example, the EPA recently released a draft guidance document for regulating the use of diesel in hydraulic fracturing operations under the Clean Water Act. The EPA is also starting to conduct inspections of hydraulic fracturing operations under authorities that it has seldom used in the past, such as the oil spill prevention provisions of the Clean Water Act. I would also be hard-pressed to name a day of the week when the EPA is not conducting yet another investigation into possible groundwater contamination from hydraulic fracturing and coming up empty-handed. Most troubling is their announcement that they will issue new fracturing regulations at the end of this year, coincidentally after the election.

What Are the National Costs of the War on Coal?

There are many questions at the end of the day about the Obama Administration's policies towards the coal and natural gas industries, but what people really want to know is how much this is going to cost. What will it cost our coal miners, our utility plant worker, our communities and our consumers? Furthermore, what will it cost our larger economy nationwide and what will the impacts be? National Economic Research Associates has done some outstanding research on these very questions, and here are the troubling facts that I can share with you, Mr. Chairman. NERA analyzed four EPA rules including CSAPR and Utility MACT and found the following:

- Regions of the U.S. covering all or part of 30 states will see peak-year increases in retail electricity prices ranging from ten percent to 19 percent. It also expects natural gas prices to increase by 14 percent in 2013. When electricity prices increase, you obviously have less disposable personal income available that can be spent on other things, and NERA projects these rules to result in a cumulative loss of \$222 billion by 2020. That means that the average U.S. family will lose \$270 per year in disposable income, or \$1,750 by 2020.
- Costs for the electric sector to comply with the four rules are projected to be \$21 billion per year, which includes \$104 billion (present value) in capital spending.
- Nationwide *net* employment losses will total 1.65 million jobs per year by 2020, averaging 183,000 jobs lost per year.
- Natural gas use for electric power generation will rise, causing natural gas prices to rise, residential, commercial and industrial consumers will spend \$8 billion more per year for natural gas, totaling \$52 billion (present value) by 2020.

Mr. Chairman, the most effective way to understand what these regulations will mean for the coal industry and the country is to consider the cumulative impact of all of them. Unfortunately, at a policy level, the EPA has not done and appears unlikely to do a cumulative analysis to consider what the total costs of these regulations, when combined, will be. But at the human level, we are already seeing substantial negative impacts resulting from these regulations. Coal plants and coal mines are shutting their doors, leaving hard-working Americans out of work and driving up electricity prices, requiring working families to spend more of their hard-earned money on their electricity bills than they have in the past. The Obama Administration's War on Coal is a tragedy for the coal industry and the thousands of Americans who rely on coal to provide affordable electricity. But I also fear that the great opportunities for Ohio and the rest of the country, thanks to the shale gas revolution, may be in jeopardy because the War on Coal is not going to be restricted to coal – it is going to be used to go after any and all fossil fuels no matter how beneficial they are to our communities and the rejuvenation of American manufacturing.

Conclusion

Mr. Chairman, this country was, quite literally, built on the back of the American coal miner. From the light switch to the iPad, the availability of inexpensive, abundant American coal has played an integral role in making America the wealthiest, most productive country on earth. Coal helped produce the steel that built our cities and powered the trains that brought that steel to market. Coal has always been, and continues to be, a staple of American life, especially here in Ohio. Manufacturing in America and Ohio has hit some rough times over the last several decades, but we have an opportunity to bring it back and that can happen right here in Ohio. Ohio can be once again at the center of an American industrial revolution, and as I mentioned earlier in my statement, communities across Ohio are seeing economic opportunities that we have not seen in a very long time. But we are at a critical juncture. If we continue to work together to implement energy policies that create jobs, Ohio can lead the way for this country. We are currently not on that path. To the contrary, the Obama Administration has embarked on an energy policy that is crippling an industry, discouraging innovation and putting people out of work. I sincerely hope that the Administration changes, but it is more likely that we will need to change administrations to save the coal industry and set our energy policy right once again.

I want to thank you and your colleagues in the House, Mr. Chairman, for conducting this much-needed oversight of the Obama Administration. I also very much appreciate all of your efforts with Speaker Boehner, Majority Leader Cantor and others to pass several bills promoting energy development and reigning in the EPA and this Administration. I just wish that the United States Senate and the President of the United States would follow suit. I should also note, Mr. Chairman, that I am doing my best here in Ohio to support those efforts. Specifically, I have sponsored two separate resolutions in the legislature urging the president to suspend both Utility MACT and CSAPR. I also got passed a resolution in the House of Representatives that urges the president to reconsider proposals to increase taxes on producers of coal, natural gas, and petroleum and instead adopt policies that encourage domestic production of these important resources.

Thank you again, Mr. Chairman for inviting me to testify today. I would be pleased to answer any of your questions.



STATE REPRESENTATIVE ANDY THOMPSON
93RD OHIO HOUSE DISTRICT

State Representative Andy Thompson is serving his first term in the Ohio House of Representative. He represents the 93rd District, which includes Guernsey, Monroe and Noble counties, as well as portions of Washington and Muskingum counties. Representative Thompson serves as Vice-Chair for the House Agriculture and Natural Resources Committee, and he also is a member of the House Public Utilities and Education Committees.

After graduating from Central College (Pella, Iowa) in 1985 with a degree in political science and Spanish, Representative Thompson spent four years working for the Competitive Enterprise Institute. Thereafter he returned home to Marietta to raise his family and work at the family business. That business, Bird Watcher's Digest, was started by his parents during tough economic times, but has continued to grow. Representative Thompson now serves as the magazine's co-publisher and Director of Sales. He was also elected to three terms on the Marietta City Council.

Representative Thompson is an NRA member who is also very active in his Rotary Club and church. His wife, Jade, is a Spanish teacher at Marietta High School. The couple has three children: Annalea, Nat and Gus.