

Testimony before the House Republican Policy Committee

"Stopping New Energy Taxes," hosted by Rep. Martin Causer

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Introduction and Background

Mr. Chairman and members of the committee, thank you for having me.

I'm David N. Taylor, President and CEO of the Pennsylvania Manufacturers' Association, the century-old statewide trade organization representing the people who make things here in the commonwealth. Manufacturing requires large amounts of available, reliable, and affordable energy, which is why we are grateful to be part of this discussion.

According to our best estimates, the Regional Greenhouse Gas Initiative will tax Pennsylvania electricity generation by at least \$800 million per year.[1] It's no wonder we have had no meaningful baseload capacity investment since Governor Wolf unilaterally entered us into this multistate compact in 2019, and as Governor Shapiro continues the court battle to implement it. Because this \$800 million tax threat looms over potential power plant investors, it renders Pennsylvania uninvestable; threatening our ability to keep our own lights on let alone maintain our status as the largest electricity exporter in the nation.[2]

The Importance of Energy Policy

Energy policy for Pennsylvania has become more important than ever. Today, the catastrophic consequences of new and higher energy taxes could literally leave people in the dark and cold, all while bankrupting households and businesses with ever-increasing utility costs. PJM, the grid operator for Pennsylvania and twelve other states across the greater Mid-Atlantic, is waving more red flags than a bullfight in warning policymakers about a looming shortfall. While power demand is growing, forecasted retirements across the PJM grid constitute 21 percent of its current capacity with too few new baseload capacity projects to replace those retirements.[3]

It's a simple supply and demand issue. Over the last four years we've witnessed a rapid push, via direct government intervention, to electrify our lives. Everything from electricity vehicle mandates, to bans on gas powered stoves, furnaces, and water heaters. When you add the competition to attract massive data centers, crypto-mining operations, and artificial intelligence facilities that consume untold terawatts of power each year, it's a recipe for disaster.



Increasing Demand

Growing power demand from electrification and new technologies



Looming Shortfall

PJM warns of potential energy shortages



Tax Threats

New energy taxes could lead to higher costs and reduced investment

Pennsylvania's Energy Resources

The ultimate insult to injury is that Pennsylvania has enormous resources to supply all the power that could ever be needed in our commonwealth and throughout the PJM region for decades to come. There's an estimated 214 trillion cubic feet of recoverable gas throughout the Marcellus Shale play.[4] We should be using it to fuel a world-class natural gas power fleet, supporting increased manufacturing utilization of combined heat and power systems, developing liquified natural gas capacity to export to European and Asian allies, and much more.

We saw growth and expansion in the natural gas sector until Governor Wolf hit the brakes in 2019. From 2010 to 2019, 12 natural gas fired power plants came online in the commonwealth, generating nearly 11-gigawatts of power.[5] This rapid expansion represents more than one-fifth of Pennsylvania's total 2023 summer capacity.[6] But since the Wolf and Shapiro administrations have threatened a new, additional tax on our energy producers, no new facilities have been proposed. According to DEP's own data, the switch from coal and oil to these cleaner and more efficient natural gas-fired plants resulted in overall generation sector emissions reductions of more than 42 percent since 2010.[7]

PACER and PRESS Plans

Governor Shapiro's PACER and PRESS plans are equally as damaging as RGGI. PACER is simply a state-version of the same carbon tax scheme as RGGI. The difference is the proceeds raised by this new energy tax would be used in-state rather than as a part of a multistate accord. According to the Governor's plan, 70 percent of the proceeds would go to ratepayers as a rebate, and the remaining 30 percent would artificially prop up more fashionable energy projects even though they are boutique, low-yield, intermittent, and ruinously expensive.

The PRESS plan would dramatically expand the current Alternative Energy Portfolio Standard to 50 percent of all electricity, ending Pennsylvania's very successful competitive marketplace. The increase from the current 10 percent from Tier I sources to 35 percent by 2035 is so radical, attempting to achieve it would be a threat to public health and safety. The plan is so fantastical that it mandates the use of energy sources that do not yet exist, such as fusion technology and small modular nuclear reactors.

PACER Plan

- State-version of RGGI carbon tax scheme
- 70% proceeds to ratepayers as rebate
- 30% to support alternative energy projects

PRESS Plan

- Expands AEPS to 50%
- Increases 10% to 35% Tier I sources by 2035
- Mandates use of non-existent energy sources

Unanswered Questions

There are many fundamental questions we posed to the Shapiro administration that have been left unanswered, including:

- Which energy sources will provide how much electricity by what date?
- How many acres of land will be consumed by solar panels and where will they be located?
- Where will the new transmission lines be built to carry the electricity from generation sources to consumers, and will activists oppose them as they have opposed pipelines?
- What battery technology will be used for power storage and backup, how much will we need, and where will they be located?
- What remediation plans will be enacted to address water runoff, soil erosion, and loss of habitat to wildlife caused by building solar arrays and windmills?
- What remediation plans will be enacted to protect birds and bats that will be endangered by incineration by solar arrays and bludgeoning deaths by windmills?
- What remediation plans will be enacted to dispose of untold millions of tons of dead solar panels and windmill blades in the 2040s and 50s?

The Need for Action

Pennsylvania needs to take new, additional energy taxes off the table. The Pennsylvania Commonwealth Court correctly ruled on November 1, 2023, that the RGGI scheme is a tax, not a fee, meaning that Governor Wolf's adoption of the RGGI pact without the approval of the General Assembly was unconstitutional. Now, 15 months later, we are still having this debate – all while the threat of an \$800-million energy tax creates an ominous cloud of uncertainty for business investors, energy producers, and ratepayers/taxpayers. Governor Shapiro could end it with the stroke of a pen, abandon the appeal, and allow our energy industry to flourish. With this will come tens of thousands of good-paying, family-sustaining jobs; certainty in our electrical grid for the homes, businesses, and institutions that rely on it; and actual environmental progress as we continue to outpace other states in reducing emissions by allowing the private sector to innovate.

Stop Energy Tax Threat

Take new, additional energy taxes off the table

Allow Industry to Flourish

Create good-paying jobs and ensure grid stability

Promote Innovation

Allow private sector to drive environmental progress

Policy Recommendations & Conclusion



American Energy Leadership

At the federal level, American energy leadership has returned as a top priority



Warp-Speed Permitting

Pennsylvania needs warp-speed permitting for new plants, pipelines, and transmission infrastructure



Open New Pipelines

Pressure on neighboring states like New York and New Jersey to allow new pipelines to open and expand into new markets



LNG Export Facility

Support a LNG export facility in Southeast Pennsylvania to establish global energy dominance



No New Taxes

Stop the threat of new, additional taxes on energy production in Pennsylvania

At the federal level, American energy leadership has returned as a top priority. What Pennsylvania needs is warp-speed permitting for new plants, pipelines, and transmission infrastructure to meet market demands. We need to put pressure on neighboring states like New York and New Jersey to allow new pipelines to open and expand into new markets. We need an LNG export facility in Southeast Pennsylvania to assist in establishing global energy dominance; sending ships to Germany, Japan, Taiwan, and other key allies instead of them relying on adversaries like Russia. All of this is possible, but not with the threat of new, additional taxes on energy production in Pennsylvania.

There's so much more to say, but I'll leave it there for now. Thank you for having me, and I will do my best to answer your questions.

Citations

[1]Independent Fiscal Office. Testimony on RGGI Modeling Assumptions. March 29, 2022.

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[3] David Beard, Dominion Post. December 10, 2024. <https://www.dominionpost.com/2024/12/10/pjm-warns-legislators-of-looming-challenges-increasing-power-demand-decreasing-supply/>

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[6] USEIA. Pennsylvania Electricity Profile 2023. Updated: November 6, 2024.

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[7]Department of Environmental Protection. Pennsylvania's Priority Climate Action Plan. March 1,

2024.<https://www.epa.gov/system/files/documents/2024-03/7200-re-dep5710-pa-priority-climate-action-plan.pdf>, page 9.