

NORTHWEST INDUSTRIAL GAS USERS

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Testimony in Opposition to HB 3250, HB 3252 & HB 3470 House Energy Committee April 14, 2015

Good afternoon members of the House Energy Committee. For the record my name is Ed Finklea and I am the Executive Director of the Northwest Industrial Gas Users. My members use natural gas in their businesses in Oregon, Washington and Idaho.

My members support measures to reduce carbon emissions in Oregon. We are proud to be leaders in energy efficiency.

We are very concerned however about the impact a carbon tax would have on the cost of using natural gas in Oregon.

A carbon tax or energy sales tax will impact all natural gas consumers. My organization has prepared a study showing the economy-wide impact on natural gas consumers of a \$30, \$60 and \$90 per ton carbon tax. According to our research the economy-wide cost at \$30 per ton is \$388 million for all natural gas consumers. This is approximately a 24% increase in the cost of natural gas for all consumers, including individuals simply heating their homes and cooking their food in the most efficient way possible. The increase is even higher for large manufacturers and electric generators.

Our member businesses have been investing heavily in energy efficiency programs to reduce their carbon emissions. Efficiency and fuel switching to natural gas are real climate solutions. Using natural gas instead of coal cuts carbon emissions in half. Using gas instead of oil lowers carbon emissions by 25%.

Our primary concern with a State of Oregon implemented carbon tax is that raising the cost of using natural gas in Oregon far above the cost in other states will harm the competitive position of Oregon businesses struggling to come back from the recession.

Lower natural gas prices over the past several years have helped businesses stay in operation. If natural gas costs more to use in Oregon than in other states, Oregon risks losing energy intensive businesses to other states. In many cases, business will go to states that have higher carbon footprints because their electricity is not as clean as it is in Oregon. The unintended

consequences could be not only taking away good job opportunities in this state, but increasing the carbon footprint of products that will continue to be manufactured.

A carbon tax is also regressive. Oregon prides itself in having a progressive tax system based on income and corporate taxes. An energy sales tax will fall most heavily on individuals and companies that use more than the average amount of energy. In many cases the tax burden will fall on struggling individuals and businesses that must use energy. Even if the tax is designed to be revenue neutral to the state as a whole, it will not be revenue neutral to all individuals and businesses.

A carbon tax will also be an unstable source of revenue for Oregon's state government. Energy usage varies considerably from year to year depending on weather and economic conditions. If Oregonians keep lowering their carbon emissions, the revenues will decline.

A carbon tax at the state level is simply the wrong tool for Oregon to use to address climate change. Our state cannot single handily solve climate change. The actions Oregon takes should be targeted to really reduce carbon emissions and to help solve the technological challenge facing the entire world.

We urge the legislature to look for ways to encourage individuals and businesses in Oregon to use natural gas where appropriate instead of coal and oil. My organization is working with the OPUC and gas utilities in the state to implement SB 844, passed in 2013. It is a voluntary carbon reduction program.

Oregon should continue being a leader in energy efficiency. We should look for a way to invest in truly game changing technologies, such as better batteries and next generation modular nuclear power that could be carbon free and not generate radioactive waste that is difficult to dispose of safely and permanently.

Oregon should be focused on real climate solutions, not simply a carbon tax that raises the price of energy in our state. A state carbon tax doesn't solve the challenge of evolving the global economy to be much less dependent on carbon emitting fuels.

We appreciate the opportunity to be heard on this important issue and urge the committee to reject HBs 3250, 3252 & HB 3470. I would be pleased to answer any questions that the committee has.