Opening Statement of the Honorable Ed Whitfield
Energy and Power Subcommittee
Hearing on "The American Energy Initiative: What EPA's Utility MACT Rule Will Cost U.S. Consumers"
February 8, 2012

This is the 15th day of our American Energy Initiative hearing, and today we will focus on the impact of EPA's recently finalized Utility MACT rule on consumers and the U.S. economy.

The Obama EPA's regulatory agenda continues to weigh heavily on the economy. Multiple costly new regulations impose significant new costs on job creators, and inject uncertainty into the regulatory process. It is simply unacceptable for this administration to continue to impose policies that are driving up energy prices and putting the economy and jobs at risk for speculative benefits.

The final Utility MACT rule is widely regarded as the most expensive power sector rule to date issued by the EPA, imposing billions of dollars of new costs and complex regulatory requirements on America's power sector and consumers.

While the Utility MACT rule is referred to by EPA as the "Mercury and Air Toxics Standards," EPA's projected health benefits for this expensive rule have almost nothing to do with reductions in mercury emissions. The benefits of the Utility MACT rule are 99.996 percent related to particulate matter, which is already regulated by other parts of the Clean Air Act. EPA attributes less than one percent of the benefits of the rule to reductions in mercury emissions.

According to an expert witness testifying today, the Utility MACT rule will make it impossible to build new coal-fired power plants in the U.S., and will also make it uneconomic for many existing coal-fired power plants to continue to operate. This is not EPA setting environmental policy, this is EPA setting energy policy and that was never supposed to be EPA's job, but it seems to be the focus of the Obama EPA.

Just last week, FirstEnergy announced that it would be retiring six plants in its fleet due to the Utility MACT rule and other environmental regulations. This decision directly affects over 500 employees and thousands of customers in Ohio, Pennsylvania, and Maryland who will be paying higher electricity rates.

This single company's retirements represents more than half of the 4.7 gigawatts EPA predicted would retire as a result of its Utility MACT rule. That leaves me with no option but to conclude that EPA's projections regarding cost are wrong.

Unfortunately, FirstEnergy's employees and customers are just one example of the consequences of the actions being taken by the Obama EPA.

- Last week Alpha Coal Company announced they are laying off 318 employees and closing 6 mines, in part due to EPA regulations.

- In May 2011, Louisville Gas and Electric Company and Kentucky Utilities Company announced that they planned to request approval to install environmental upgrades for their coal-fired plants along with the recovery of the expected $2.5 billion in costs, which will be passed onto consumers increasing electricity bills for an average home by over $16 per month by 2016. That's almost $200 per customer.

- In June, the American Electric Power company announced they would retire nearly 6,000 megawatts of coal-fueled power generation, while upgrading or switching to natural gas thousands more megawatts. The cost of AEP's compliance plan could range from $6 billion to $8 billion. This is on top of the already $7.2 billion AEP has invested since 1990.

- In August, Southern Company announced that they would spend $13 to 18 billion to comply with EPA's regulations and convert 8,700 megawatts from either coal or oil to natural gas.

Of course, let's not forget that EPA worked with environmental groups to force the Tennessee Valley Authority to shutdown 18 coal-fired electricity units at three power plants and spend $3 to 5 billion on other upgrades.

These are costs that will be passed on to consumers.

U.S. households are spending a greater share of their income on energy these days, meaning they have less money to spend on food, housing, or health care, and unfortunately, this has a disproportionate impact on lower income families. In 2001, families earning less than $50,000 spent an average of 12 percent of their after-tax income on energy. In 2012, these families are projected to spend 21 percent of their after-tax income on energy. One-fifth of their income on electricity? It doesn't have to be this way, energy can be affordable for everyone, but under EPA's regulations, it will only get worse.

Higher electricity prices will not only directly impact American households. It will increase the cost of doing business for our domestic manufacturers, especially those energy-intensive industries that rely on low-cost energy to produce affordable goods so that they can compete globally, as Mr. MacDonald from the steel manufacturer Gerdeau will testify to today on the second panel. If it becomes too expensive to operate in the U.S., these manufacturers – and their jobs – will be further forced outside the country.

Today's hearing continues this subcommittee's efforts to hold the Obama administration accountable for the significant costs and uncertainty its regulatory agenda continues to impose on the economy.

I thank the witnesses for being here today and look forward to the discussion.

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