

JULY 18, 2017

**STATEMENT OF ASSOCIATED INDUSTRIES OF MASSACHUSETTS (AIM) BEFORE
SENATE CHAIR ERIC LESSER, HOUSE CHAIR JOSEPH WAGNER AND MEMBERS OF THE
JOINT COMMITTEE ON ECONOMIC DEVELOPMENT & EMERGING TECHNOLOGIES IN
OPPOSITION TO BILL NUMBER H.3473 - AN ACT RELATIVE TO CREATING ENERGY JOBS**

For the record, I am Robert A. Rio, Senior Vice President and Counsel for Government Affairs at Associated Industries of Massachusetts (AIM). On behalf of our membership, which represents every sector of the Massachusetts economy, I wish to express our opposition to H.3473- An Act Relative to Creating Energy Jobs.

AIM's mission is to promote the prosperity of the Commonwealth of Massachusetts by improving the economic climate, proactively advocating fair and equitable public policy, and providing relevant, reliable information and excellent services on behalf of thousands of members throughout the state. This legislation would hinder these shared goals, which are to create jobs and create a more positive business climate for Massachusetts.

With 6.5 million residents and 250,000 businesses in Massachusetts, the bureaucratic and inefficient refund mechanism envisioned in this bill guarantees failure. Administrative costs will be large, reducing potential rebates. Therefore, most "payers" will not receive anything in rebates near what they pay. In addition, some of the sectors subject to taxing under this proposal will be double taxed since they already pay a de-facto carbon surcharge on their energy use. Finally, technologies to be developed under this proposal – including battery technology demonstration projects and establishment of a Clean Energy Trust are also duplicative of existing programs.

H.3473 as written will not create additional clean energy jobs.

We believe there is a better way and many of the recommendations below were made as part of our testimony in the similar S.1821- *An Act Combating Climate Change* which was heard on June 20, 2017 in front of the Joint Committee on Telecommunications, Utilities and Energy.

RECOMMENDATIONS

AIM continues to support many programs to reduce greenhouse gases and promote clean energy jobs – in fact many of our members operate in this area. Not only are our members often recognized nationally for their energy and carbon reduction efforts but our own annual Sustainability Impact Awards recognizes companies that have gone above and beyond the law to make a difference. AIM is also a charter member of the Massachusetts Energy Efficiency Advisory Council (EEAC) and we have supported recent plans to bring onshore and offshore wind and hydroelectric power to Massachusetts. AIM also supported recent increases to the gasoline tax earmarked for infrastructure improvements (which reduces greenhouse gases in the transportation sector).

What separates Massachusetts from others that have instituted a carbon tax, however, is that Massachusetts already has numerous programs to reduce greenhouse gases and promote clean energy jobs funded by surcharges on fossil fuel use for non-transportation sectors (home heating and process use of natural gas and other fuels) and electricity. These programs provide financial incentives to make alternative energy (solar, etc.) and energy efficiency investments (insulation and boiler replacement or oil-to-gas conversions) more appealing - exactly the type of investments envisioned under this proposal. This legislation ignores all those efforts and establishes an entirely new system instead of reforming the current ones.

These surcharges already generate nearly 2 billion dollars per year, about what this program will generate in a few years. The problem with the existing programs, however, is they are often placed in their own silos, with no regard as to how much better they would work if they worked together. Investments are not necessarily channeled to the projects that create the most efficient reductions in greenhouse gases but to those with the loudest constituency.

With that in mind, AIM suggests that should a well-designed carbon tax be instituted, the funds should not be used for rebates, but rather as an opportunity to coordinate all these other disparate and oftentimes competing programs. Some of the “lessons learned” could be used to expand opportunities into the transportation sector. These programs could be more efficiently managed through the one source of revenue envisioned in this legislation. More energy jobs will result from a well-designed program.

Therefore, we urge the legislature to make enactment of a carbon tax contingent on the following changes:

- All carbon emissions should be subject to the carbon tax, including the electricity sector.
- This carbon tax should replace the carbon tax instituted under the state’s participation in the Regional Greenhouse Gas Initiative (RGGI).
- All current programs that deal with energy efficiency and renewable energy that are funded by ratepayers or taxpayers should be eliminated, including those currently directed at the transportation sector.

With all programs eliminated, the single funding source envisioned in this legislation would be overseen by a new advisory council – the Carbon Reduction Advisory Council, made up of a diverse group of stakeholders like the current EEAC. Under the direction of this advisory council, the funds would be channeled to programs that compete for the highest and best carbon reduction strategies. Funding could include public transportation, energy efficiency, or perhaps energy storage. The programs would be flexible as needs and technologies change – something that is nearly impossible with the current programs.

This would be a bold change to the way Massachusetts operates these programs. However, a bold change is needed. Many of the existing programs have become hidebound and uncoordinated where new ideas that could help our collective carbon reduction goals are not instituted because they do not fit into easy silos. This new thinking is not only better but necessary to attain the Commonwealth’s greenhouse gas reduction commitments.

AIM would be happy to work with the committee on specific legislative changes necessary to accomplish this goal.

For these reasons, we urge this committee to not act favorably on this legislation.

Should you have any questions, please do not hesitate to contact me.