

House Energy Plan

MMA Testimony Before the House Energy, Communications and Technology Committee

HB 4759 (Coffia), HB 4760 (Pohutsky), HB 4761 (Aiyash)

Madam Chair and committee members thank you for the opportunity to offer the manufacturing perspective on the proposed energy package before this committee. I am Mike Johnston, EVP of Government Affairs and Workforce Development.

I am pleased to be here to discuss energy policy and its critical role in competitiveness for the manufacturing sector.

Manufacturing is the largest sector of the Michigan economy making up about 18% of the states total output with \$101.34 billion in 2021. Manufacturing employs 609,500 people (May 2023) in this state with an average annual compensation of \$85,743 (2021).

At the outset, let me state clearly that we support the goals of achieving clean energy production. In our view, environmental goals and economic goals should not be mutually exclusive as both are necessary to achieve a successful future for Michigan. In fact, MMA and many of our members contributed to the MI Healthy Climate Plan through participating in many of the Council on Climate Solutions work groups. The plan even highlights actions taken by the manufacturing sector and the significant role manufacturers play in our transition to a clean energy future.

Manufacturers are acutely interested in energy issues because manufacturing is dependent on affordable and reliable energy to produce goods. Whether producing steel, cement, silicone, glass, rubber, chemical products, or other durable goods, energy is a critical component of production, and often the most expensive cost input. Ultimately, the cost of energy is a primary driver in our ability to compete based on price in the global economy.

Manufacturing differs from other sectors on the economy, in that we don't compete with locations down the street or even the same state as do the retail or services sectors. Manufacturers compete with the lowest cost location anywhere in the world. If we can't compete in the global economy from our Michigan location, there are only two options: go out of business or move to a location with a cost structure that allows competitive pricing for their goods.

On energy, MMA strongly supports the energy policy established in 2016, which is rooted in the necessary ongoing balance of price and reliability. The 2016 legislation created the integrated resource plan (IRP) approach that allows utilities flexibility to achieve emission reduction goals without disrupting Michigan's economy. As utilities modify their generation portfolio over time to lower their carbon footprint, the IRP allows them to develop plans that continue to deliver baseload capacity for the largest sector of the economy, while ensuring the price remains competitive.

Our concerns about the proposed package before this committee is the fundamental shift from goals to mandates. Goals provide flexibility to ensure the manufacturing economy can compete and continue to grow jobs in this state. By contrast, mandates eliminate flexibility for utilities to continue to balance price and reliability, with negative consequences for the manufacturing sector.

Every week we get calls from members saying other states are courting them with incentive dollars, and often lower energy rates. One recent small manufacturer, as an example, spends about \$250,000 per month and \$3 million a year on energy. Mississippi called and told them they could save them \$600,000 a year on their energy bill. I can tell you that gets a small manufacturer's attention.

As a matter of perspective regarding competition in the global economy, in 2022, China built the equivalent of 2 coal fired power plants per week. We absolutely do not endorse China's environmental policy; however, they are competing against us economically with dramatically cheaper energy costs. Michigan alone, has no ability to solve the global climate challenge. However, our state energy, policy, if not well planned, can dramatically and negatively impact our own state economy. So, we urge caution as we all endeavor to reduce our carbon footprint, and grow population, jobs and the economy.

Going forward, any change in energy policy must reflect the need to balance price and reliability to be successful. Moreover, energy policy should not zig zag in direction, but demonstrate long term, predictable, and durable policy. Manufacturing investments are usually substantial with long-term investment horizons. That means new investors need to have confidence in stable policy. If investors have reason to believe either prices will not remain competitive, or they lack confidence in adequate levels of baseload energy, Michigan will be eliminated from manufacturing site selection lists.

So, we urge caution in moving forward too quickly on energy policy rooted in mandates that lack the necessary flexibility to achieve a balance between price and reliability. Policy must allow the largest sector of the economy to compete based on price in the global economy.

Michigan's economic future depends on both current job retention and new job growth. To achieve our environmental goals, our energy policy must be competitive. As we said earlier, environmental goals and economic goals should not be mutually exclusive, both are necessary to achieve a successful future for Michigan.

We stand ready to work closely with you, our utility partners, and the administration to craft an energy policy that is flexible enough to achieve both our clean energy goals and future economic growth.

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