

## House Bill 355: Imposition of a Fee on Coal Unloading

### *Testimony before the House Ways & Means Committee*

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**H**ouse Bill 355 would impose a sizeable tax on coal—a fuel that is the workhorse of electric generation in Texas. A new tax on coal would be a major distortion of the relatively open, adaptable and diverse energy market in Texas. This new tax would be in addition to the many taxes and fees that coal-fired power plants already pay in property, margins, sales and gross receipts taxes as well as local franchise fees, PUC gross receipts and System Benefit Fund assessments.

By unavoidably increasing the price of electricity for Texas ratepayers and businesses, such a coal tax would jeopardize this state's outstanding economic performance of the last ten years and would most harshly impact lower-income families, the elderly and small businesses. Texas is now the leading industrial and manufacturing state in the nation. In job creation over the last 10 years, Texas employment grew by 19.5 percent in contrast to a national average of 7.6 percent. Electric price increases and price volatility could undermine the competitiveness of Texas businesses as has occurred in many other states.

The affordability and reliability of electricity has been a key factor in the economic vigor of Texas over the last decade. Although the price of electricity in Texas is not among the lowest in the country, Texas prices are far lower and more stable than in states like California with electric prices that have driven manufacturing out of that state.

In January 2011, the Texas Public Policy Foundation (TPPF) published a study about the make-up of the Texas energy sector and the role energy plays in the Texas economy. The many energy-intensive industries and manufacturers in Texas depend upon affordable, reliable electric generation. The study also details the important role that coal plays in Texas as a consistently lower-priced fuel and as a mainstay of base load generation.

Texas benefits from a fuels-mix more diverse than many other states but coal remains a workhorse for Texas. Although Texas has less installed electric capacity in coal than other states, our state in fact burns more coal than any other state because of the size of our population and economy.

With the investment of approximately \$16 billion (in 2011 dollars), Texas coal-fired power plants now operate with cutting-edge emission control technology. The emission rates of conventional air pollutants (sulfur dioxide and nitrogen oxides) from the Texas fleet of coal-fired power plants among the lowest in the nation.

According to the Electric Reliability Council of Texas (ERCOT) Texas faces the daunting challenge of adding 18,000 new megawatts (MW) of generating capacity to meet projected demand in 2020. A new tax to suppress coal generation could significantly impede and add formidable extra costs to efforts to meet future demand for electric power in this rapidly growing state.

TPPF supports fuel neutrality. A tax which disfavors one fuel inevitably favors another fuel, an interference in the fundamental dynamics of a competitive marketplace. The best energy strategy is an adaptable marketplace for diverse, competing energy supplies and technologies rather than tax sanctions, mandates and patchwork subsidies which introduce artificial distortions and constraints. “The goal of the policy should be to make the entire “energy pie” bigger, not to try to force the favored parts of the energy pie to grow or shrink.” (*Texas Energy and the Energy of Texas: The Master Resource in the Most Dynamic Economy*, Dr. Steven Hayward, for TPPF, January 2011.) ★

