



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 637

PRINTERS NO. 2903

PRIME SPONSOR: Struzzi

COST / (SAVINGS)

FUND	FY 2021/22	FY 2022/23
General Fund	See Fiscal Impact	See Fiscal Impact

SUMMARY: House Bill 637, Printer's Number 2903, creates the Energy Sustainability and Investment Act to clarify that the Department of Environmental Protection does not have authority to join the Regional Greenhouse Gas Initiative or similar State or regional greenhouse gas cap-and-trade programs unless authorized by the General Assembly.

ANALYSIS: This bill establishes the Energy Sustainability and Investment Act. Unless required by federal law, the Department of Environmental Protection (DEP) is prohibited from taking any action to join or participate in the Regional Greenhouse Gas Initiative or similar State or regional greenhouse gas cap-and-trade programs unless authorized by the General Assembly.

If the DEP proposes action or participation in a regional program, the bill requires the department to submit a proposed measure or action to the General Assembly. Prior to submitting the proposal, the department shall do the following:

1. The proposed measure will be submitted to the Legislative Reference Bureau for publication in the Pennsylvania Bulletin in the form of draft legislation with a public comment period of no less than 180 days.
2. DEP will hold at least four public hearings to include locations that would be directly economically affected by the proposal.
3. Following the public comment period, DEP shall compile a report that will be submitted to the House and Senate Environmental Resources and Energy committees. The report is to have the following information:
 - i. A list of all facilities by county that would be subject to the proposal, along with:
 - A. The amount of carbon dioxide emitted by each facility.
 - B. The estimated cost that would be incurred to comply for each.
 - C. The effect on price of electricity generated by the facility.
 - D. A list of facilities that would be likely to close due to the measure.
 - E. For the other facilities an assessment as to how likely the facility would continue to operate once the measures were fully implemented.
 - F. An assessment of the decrease of electricity generated after the measures are fully implemented.
 - G. An assessment of the contribution to the Pennsylvania electric generation fleet from each affected facility and the impacts upon the resilience and diversity in case any or all of the facilities were forced to close.

- ii. A summary of the impacts on any industry that commented or submitted testimony during the public comment period.
- iii. An estimate of the CO2 emission reductions the proposed measure would induce within the PJM Interconnection region.
- iv. A summary and justification of any specific measure to address leakage.
- v. A description of the economic impacts of the measure including:
 - A. Direct and indirect costs to Pennsylvania and its political subdivisions and its private sector.
 - B. The impact on the cost of electricity on electricity consumers, to include residential, commercial, industrial and transportation.
 - C. Effects on prices of goods and services, productivity or competition.
 - D. Estimated administrative costs to comply with the measures.
 - E. Nature and estimated cost of legal, consulting or accounting services that the public or private sector would likely be incurred.
 - F. An estimate of the impact it would have on the public interest to exempt individuals, employers or facilities from compliance or to comply with less stringent standards when feasible.
- vi. Whether a less costly or less intrusive alternative method has been considered for an employer or facility that would otherwise be subject to the proposed measure.

The department shall submit the measure in legislative form to the standing committees and request that a member of the standing committees introduce the legislation. If the legislation is introduced, it shall follow the standard legislative process and may be considered by a standing committee if referred.

The bill also provides for the appropriation of Federal funds. For fiscal year 2022- 2023, \$250 million in the COVID-19 Response Restricted Account is appropriated for transfer to the Commonwealth Financing Authority (CFA). This funding shall not lapse and is allocated as follows:

- \$125 million is allocated for research, development, construction or site development of carbon dioxide and methane reduction technologies for electric generation and manufacturing, including, but not limited to, micro-grid nuclear power plants, carbon capture utilization and sequestration, development of hydrogen fuel projects, securing Federal funds for a regional hydrogen hub and battery storage. At least \$12.5 million shall be used for methane abatement projects from plugging abandoned natural gas wells.
- \$62.5 million is allocated for the purpose of sewer and water infrastructure and storm water mitigation projects, including riparian planting for carbon dioxide reduction, stream buffering and streambank restoration.
- \$62.5 million is allocated for the purpose of assisting workers and communities impacted by electric generation or manufacturing plant closures, including, but not limited to, apprenticeship and training projects, extensions of unemployment compensation benefits and investments in projects to redevelop the closed plant sites.

A capital project that directly or indirectly receives money transferred under this section shall be subject to the act of August 15, 1961 (P.L.987, No.442), known as the Pennsylvania Prevailing Wage Act.

The department shall proceed through the process described under sections 4 and 5 for a measure or action taken by the department designed to abate, control or limit carbon dioxide emissions or to establish a greenhouse gas cap-and-trade program, even if the measure or action is in effect on the effective date of this section. A measure or action taken by the department or the Environmental Quality Board on behalf of the department that does not proceed through the process is abrogated to the extent of any inconsistency with this act.

This legislation would take effect immediately upon enactment.

FISCAL IMPACT: Enactment of this legislation will result in additional administrative and operational costs for the DEP if it proposes the Commonwealth participate in a State or regional greenhouse gas cap-and-trade program. These additional agency requirements would include drafting the legislative proposal, preparing impact analysis reports for the General Assembly and holding public comment periods.

It is projected these additional costs will be covered under existing agency operations similar to its current regulatory staff and duties. DEP staff already conduct such activities as part of the regulatory review process which mandates public participation and similar reports as provided through the Environmental Quality Board.

The bill also provides for the appropriation of \$250 million in the COVID-19 Response Restricted Account for transfer to the CFA and allocated as follows:

- \$125 million is allocated for research, development, construction or site development of carbon dioxide and methane reduction technologies for electric generation and manufacturing, including, but not limited to, micro-grid nuclear power plants, carbon capture utilization and sequestration, development of hydrogen fuel projects, securing Federal funds for a regional hydrogen hub and battery storage. At least \$12.5 million shall be used for methane abatement projects from plugging abandoned natural gas wells.
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PREPARED BY: Jeffrey Clukey
House Appropriations Committee (R)

DATE: March 30, 2022

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.