



**Date:** April 12, 2019

**To:** Members of the House Consumer Affairs Committee

**From:** Andrew Williams, Director, Legislative and Regulatory Affairs

**Re:** House Bill 11 (P.N. 864)

On behalf of our over 75,000 members in Pennsylvania, The Environmental Defense Fund (EDF) respectfully submits these comments on House Bill 11 (P.N. 864) and the future of energy generation in Pennsylvania.

The federal government's leadership on climate may have stalled, but Pennsylvania has a significant opportunity to lead by setting a binding, declining limit on carbon pollution, and creating the opportunity for flexible, market-based solutions to be deployed to achieve that limit. In this way, Pennsylvania can incentivize the lowest-cost pollution reductions and help ensure that the state has the right framework in place to enhance deployment and utilization of zero-emission energy resources. Such a limit is essential for any successful climate and energy strategy in Pennsylvania.

#### Pennsylvania Needs to Focus on a Market-Based Solution to Limit Carbon Emissions

Pennsylvania is the country's third largest emitter of greenhouse gases. While emissions have been falling in the power sector—due in part to market drivers and the transition to low and zero-emitting resources like renewables and natural gas, they are not falling fast enough. Pennsylvania emitted 79 million metric tons of carbon pollution from the electric power sector in 2017 – this is still more than one-third of the total carbon pollution in the state<sup>1</sup>, and the fifth dirtiest power sector in the country. Pennsylvania is the only state from Maine to Virginia without a limit on carbon pollution from the power sector, or without a regulatory process underway to put one in place.

The problem with this? First, independent analyses confirm that Pennsylvania's pollution levels are at risk of flat-lining or even increasing in the coming years—there is no way to guarantee emissions outcomes without a mechanism that actually requires them to decline. Second, with many of Pennsylvania's neighbors already limiting carbon or soon to have regulations in place to do so, Pennsylvania is becoming a dumping ground for pollution in the region. When neighboring New Jersey finalizes their limit on pollution, it will be easier to increase in pollution in Pennsylvania to then import dirtier energy to power homes and businesses in New Jersey. It's

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<sup>1</sup> Note: figure refers to energy-related CO2 emissions.

exciting for PA to export power—but not at the expense of our climate or health of our communities.

### We Oppose Legislation that Does Not Include a Carbon Limit

The two pieces of legislation under consideration by the legislature that effectively subsidize the state's nuclear power plants by adding a third tier to the AEPS, creating a mandate for the purchase of zero-emission energy, appear to be designed in a way that will most likely require the power to be purchased from existing nuclear facilities, regardless of whether there are more cost-effective options available. There are several problems with the legislation as currently crafted, but we will focus on two core environmental problems:

1. By simply requiring the purchase of resources that already exist, the bill codifies the status quo—instead of providing for an accelerated decline of pollution in the state. The bill fails to address the need to develop a comprehensive, long-term strategy for decarbonizing Pennsylvania's energy sector, and at best creates a near-term, expensive band-aid that still doesn't guarantee pollution will continue to decrease in the coming years.
2. The bill misses the obvious opportunity to *focus on emissions outcomes* instead of picking favorite technologies. While many proponents justify this policy on the grounds that it is important for keeping carbon pollution at bay, the bill is still designed around a specific technology outcome instead of crafting a policy that actually guarantees the *permanent pollution* outcomes everyone agrees that we want. If policymakers instead focused on a pollution outcome—setting a limit for carbon emissions from the power sector that declined over time—and then created a flexible, market-based mechanism for compliance with that limit, Pennsylvania could have their cake and eat it too—guaranteeing pollution declines, while providing an opportunity for low-cost technologies- -including existing nuclear power-- to be deployed to achieve those limits.

Such a mechanism is truly the most cost-effective way to achieve reductions—and as neighboring states have shown through their carbon market, when crafted correctly such strategies can actually provide cost savings to customers by spurring deployment of efficiency measures and other low-cost zero-emission technologies—instead of coming with the significant price tag attached to this bailout.

Bottom line: Pennsylvania's energy customers deserve a plan that ensures our pollution actually is reduced beyond the status quo, but they also deserve to know that our state policymakers are reducing pollution in the most cost-effective way possible and making investments to ready Pennsylvania for the low-carbon economy we must achieve. For the families that will be paying these costs, to not have such a cost-effective market mechanism in place is irresponsible.

As noted by a recent report by Commissioner Andrew Place of the Pennsylvania Public Utility Commission, “carbon markets allocate resources efficiently across all market sectors, including all generation, load reduction..., and carbon capture investments.”<sup>2</sup>

### Pennsylvania’s Opportunity for Leadership

The federal government has temporarily abdicated its responsibility as a leader, but it is clear that Pennsylvania has a significant opportunity to lead by setting a binding, declining limit on carbon pollution, and creating the opportunity for flexible, market-based solutions to be deployed to achieve the limit. In this way, Pennsylvania will incentivize the lowest-cost pollution reductions and help ensure that the state has the right framework in place to enhance deployment and utilization of zero-emission energy resources. Pennsylvania and the power sector as a whole have made progress reducing emissions rapidly and cost-effectively, the result of many factors including the planning done for complying with the Clean Power Plan, the plummeting cost of renewable energy, and other state and federal policies.

To remain competitive in the regional context, Pennsylvania needs to ensure that there is a plan in place to accelerate the de-carbonization underway in the power sector – which means both preventing any *increases* in carbon emissions from the power sector as well as transitioning carbon-intensive fossil generation to zero-emission renewable energy and, finally, leveraging that cleaner electricity to help decarbonize the rest of the state’s economy. A binding, declining limit on carbon pollution for the power sector will allow Pennsylvania to deploy technology solutions that work best for the Commonwealth.

Carbon pricing policies are in place or expanding in much of the PJM region. Virginia<sup>3</sup> and New Jersey<sup>4</sup> have regulatory processes underway to limit carbon from the power sector, and legislation was even recently introduced in Illinois,<sup>5</sup> to put the power sector on a path to almost complete decarbonization in the next decade through enforceable pollution limits.

Pennsylvania cannot afford to sit on the sidelines while other states make significant and prudent investments in clean energy. By acting to limit carbon emissions, Pennsylvania will maintain competitiveness within the regional electricity space while preventing competing interests to allow the state to become a bastion for carbon intensive generation resources. It is also worth noting that PJM examined regional and sub-regional carbon pricing frameworks in a recent report and has the tools necessary to ensure state policy preferences are reflected consistently in the market region. The report noted that issues such as emissions leakage between states can be minimized through the frameworks they described—and other states deploying carbon limits have demonstrated that it is possible to effectively eliminate emissions leakage through correct

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<sup>2</sup> <https://www.documentcloud.org/documents/5763986-Nuclear-Policy-Paper-PUC-Commissioner-Andrew-G.html>

<sup>3</sup> Virginia Governor Terry McAuliffe, *Executive Order 57*, see:

<https://www.naturalresources.virginia.gov/media/governorvirginiagov/governor-of-virginia/pdf/eo/eo-57-development-of-carbon-reduction-strategies-for-electric-power-generation-facilities.pdf>

<sup>4</sup> New Jersey Governor Philip Murphy, letter on intent to rejoin RGGI, available at:

<https://www.state.nj.us/dep/ages/docs/letter-to-rggi-governors20180222.pdf>

<sup>5</sup> Senate version of Clean Energy Jobs Act available at:

<http://www.ilga.gov/legislation/101/SB/PDF/10100SB2132sam001.pdf>

program design. PA has the ability to work with PJM to ensure the Commonwealth can access the information they need to develop those solutions here.

In conclusion, EDF respectfully suggests that instead of pursuing legislative bailouts, Pennsylvania should set a binding, declining limit on carbon pollution to both provide long-term certainty about how we will achieve our climate and energy goals as well as ensure that we hit near-term and long-term objectives in a truly cost-effective way. By adopting a technology-neutral and outcomes-oriented approach, Pennsylvania can secure the emission reductions necessary at the lowest possible cost and continue to meet the energy needs of the state, securing its role as a zero-carbon net energy exporter. Placing a firm limit on carbon pollution – and then letting that carbon pollution “limit” drive a price in the energy market – can help ensure the most cost-effective deployment of zero-emission resources and energy efficiency.

Thank you again for your consideration of these comments.