

**House Environmental Resources and Energy Committee
Public Hearing on the Regional Greenhouse Gas Initiative and House Bill 2025**

February 5, 2020

**Testimony of:
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Pennsylvania Coal Alliance**

Chairman Metcalf, Chairman Vitali and members of the House Environmental Resources and Energy Committee, I am Rachel Gleason, the Executive Director of the Pennsylvania Coal Alliance (PCA) and I appreciate the opportunity to provide testimony on the Regional Greenhouse Gas Initiative and House Bill 2025.

The PCA is the principal trade organization representing underground and surface bituminous coal operators in Pennsylvania, as well as other associated companies whose businesses rely on coal mining and a strong coal economy. Nationally, Pennsylvania is the third largest coal producing state, and PCA member companies produce nearly 90 percent of the bituminous coal mined annually in Pennsylvania, which totaled over 48 million tons in 2019.¹

Bituminous coal mining helps drive Pennsylvania's economy. A report compiled in April of 2019 by the Allegheny Conference on Community Development highlights that our state's coal industry is responsible for supporting nearly 18,000 jobs. The same report points to the industry being a vital contributor to Pennsylvania's economy, providing \$4.1 billion annually to the state's economy, and \$7 billion in total output. The Pennsylvania coal industry creates this economic value in communities across Pennsylvania, with active mining operations in 15 counties,² member company locations in 22 of Pennsylvania's counties, and over \$2.5 billion in property taxes contributions. The industry accounts for 25 percent of the employment in some regions of the state, and for every direct coal job an additional 1.97 jobs are supported in the state. Moreover,

¹ <https://www.eia.gov/coal/>

² <https://www.dep.pa.gov/Business/Land/Mining/BureauofMiningPrograms/Reports/Pages/2017-Coal-and-Industrial-Minerals-Mining-Activities.aspx>

the industry in some regions supports upwards of 40 percent of the local tax base, and often serves as a community's financial cornerstone for economic development.³

While the PCA does not represent coal-fired electric generating units in Pennsylvania, in 2018 coal as a fuel source for electricity accounts for 58% of our total production, and coal's end use and a strong coal economy is vital to PCA's nearly 200 members companies. As the Executive Director of the PCA, I have been charged by our Board of Directors with advocating for a state energy policy that promotes free and fair markets and provides for a level playing field for all generation sources.

Pennsylvania Electric Generation from Coal

Since Pennsylvania deregulated its electric generation market in 1996, 18 coal-fired electric generating units have deactivated or converted to natural gas, including Bruce Mansfield, a powerhouse at nearly 2,500 MW, which shuttered its doors this past November. One other coal-fired electric generating unit is scheduled to end its coal use by 2029. As a result, 11.4 GW⁴ of coal nameplate capacity has or is scheduled to go offline since deregulation.

Following these closures, Pennsylvania will have five coal-fired electric generating units remaining. In 2018, these five remaining coal-fired units consumed 8.4 million tons of coal extracted by bituminous coal mining operations in Pennsylvania.⁵ Overall, coal accounted for 20 percent of the net electricity generated in the Commonwealth in 2018, which is down significantly from 48 percent just a decade ago.⁶ The incessant regulatory pressures experienced by coal-fired generation, coupled with the advent of shale gas over this past decade proved to be a perfect storm that resulted in a transformation of the coal-fired power generation business, and has had profound effects on Pennsylvania coal producers. Over the last decade, Pennsylvania has shuttered more than 50 percent of its bituminous coal mines.⁷

The economic hardships these plant and subsequent mine closures have had on local economies throughout Pennsylvania have been devastating. PCA member companies fully realize the electric power generation market has significantly transformed this past decade and have remained committed to working within this changing market to ensure that coal remains an affordable, reliable and resilient resource to the grid. That

³ https://docs.wixstatic.com/ugd/203afb_fdd3aada0fd94deb80441c19d729196b.pdf

⁴ <https://www.eia.gov/electricity/data/eia860/>

⁵ <https://www.eia.gov/electricity/data/eia923/>

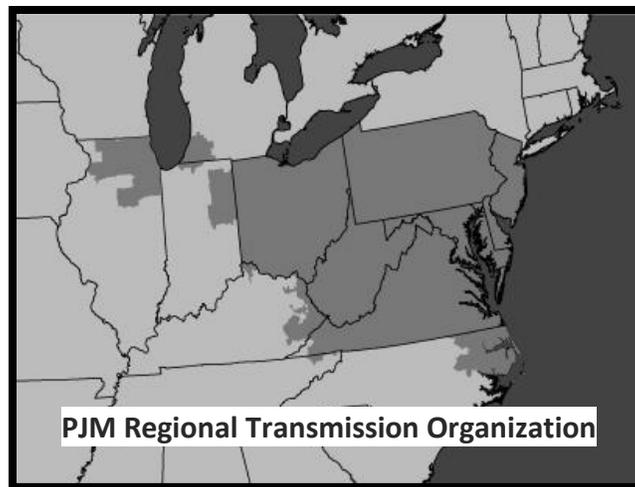
⁶ <https://www.eia.gov/electricity/data/eia923/>

⁷ <https://www.eia.gov/coal/data/browser/>

said, PCA has serious concerns about Governor Wolf’s October Executive Order directing our state Department of Environmental Protection to develop regulations joining Pennsylvania to the Regional Greenhouse Gas Initiative (RGGI).

RGGI, PJM, Ozone Transport States, and Pennsylvania

Pennsylvania participates in the PJM Interconnection, a regional transmission organization (RTO), which is a competitive wholesale electricity market that manages the electric grid for more than 65 million people in all or part of 13 states plus the District of Columbia. The operations include ensuring reliability and economic benefits, day-to-day management of the system, and annual capacity auctions. Coal continues to play a significant role in diversifying the generation portfolio within PJM and comprised 29% of the electricity generated in 2018.⁸ More importantly to Pennsylvania coal operations, in 2018, 15.6 million tons, nearly 1/3 of Pennsylvania’s coal production in the same year, was sent to generation sources in PJM’s territory. This is important, because most RGGI states do not participate in PJM.



RGGI is a cap and tax program that requires fossil fuel electric generating units with over 25 MW of installed capacity to purchase allowances for their carbon dioxide emissions, effectively a tax on carbon. At present, RGGI operates in the New England states, New York, Delaware, Maryland, and New Jersey, which initially joined RGGI, opted out, and just rejoined at the beginning of this year. The premise behind RGGI is to tax fossil fuel electric generators, collect revenue from that tax and then redistribute it to subsidize energy efficiency, renewables, and ratepayer bills. However, some RGGI states have used the revenue generated to balance

⁸ <https://www.eia.gov/electricity/data/eia923/>

their general fund budgets. Since RGGI's first compliance period in 2009, the current RGGI states have reduced the percentage of their carbon emissions by less (30.4%) than what has been achieved in Pennsylvania (31.8%), where we do not have a cap and tax program.⁹



RGGI States January 2020

It is important to note that not one of the states currently participating in RGGI, including recently re-joined New Jersey, was an electric generation exporter in 2018. In fact, every state RGGI imported a portion of their electricity from non RGGI sources. New York, the largest and only RGGI state with electricity consumption comparable to that of Pennsylvania's, imported their electricity from Canada and Pennsylvania – where our Homer City coal-fired electric generating unit has a direct transmission line into New York state. Maryland and Delaware, RGGI states that participate in the PJM RTO, imported 30 percent and 53 percent, respectively, of the electricity they consumed from other PJM states including Pennsylvania, Ohio and West Virginia.¹⁰¹¹

In Pennsylvania, the top fossil fuel electric generators who emit carbon dioxide, in order of intensity per MWh, are waste coal, coal, and natural gas. As such, implementing RGGI in Pennsylvania will have differing financial implications for each affected generation unit, some higher than others on a per MWh basis, that may result in the immediate closure of certain electric power generators, while creating long-term unfavorable economic challenges for others. Taxing over 50% of Pennsylvania's electric power generation units will increase the cost to generate electricity, and it will inevitably be passed on to the ratepayer and consumers thru increased

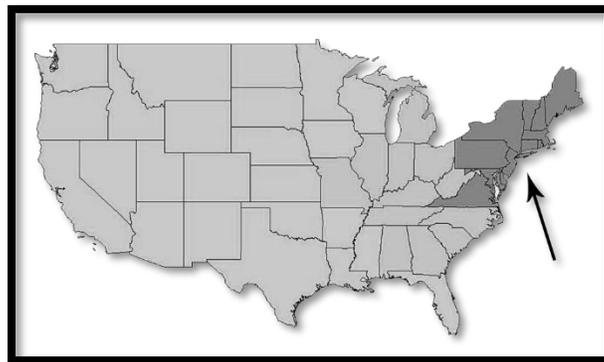
⁹ EPA Air Markets Data Program <https://ampd.epa.gov/ampd/>

¹⁰ EIA Net Generation by State at <https://www.eia.gov/electricity/data/state/>

¹¹ EIA State Electricity Profiles <https://www.eia.gov/electricity/state/>

prices for goods. RGGI states' retail electricity rates have risen as much as 27% since 2009 (Rhode Island 27%, Vermont 19.7%, Massachusetts 18.7%), and their average retail electric price in 2018 was 51% higher than the retail price in Pennsylvania.¹²

Further, if Pennsylvania were to join RGGI or develop a cap and tax program, it will also prop up fossil fuel electric power generation in other states, like Ohio and West Virginia. Electric power generators in Ohio, West Virginia, and Pennsylvania all generate a significant amount of electricity and compete against each other in the PJM RTO. In fact, based on data supplied by PJM at the end of 2018, generators in Pennsylvania, Ohio, and West Virginia accounted for 45% of the installed capacity available in PJM. As such, all fossil fuel generation in Pennsylvania, including natural gas, would be placed at a competitive disadvantage to similar units in Ohio and West Virginia, which do not have a tax, as baseload power would still be needed for a reliable and resistant grid. This scenario, referred to as leakage, leads to non-participating RGGI states emitting more carbon from their electric generating units as they increase generation to meet demand, and make up for Pennsylvania's lost generation. This is precisely why former PA DEP Secretary Katie McGinty concluded that RGGI was not a good fit for Pennsylvania.¹³ And, further complicating the "leakage" of carbon emissions, is the fact that Ohio and West Virginia do not participate in the Ozone Transport Region, so their fossil fuel generating units have less stringent emission controls than those in Pennsylvania, which may increase actual pollutants like particulate matter (PM 2.5), nitrogen oxides (NOx), and sulfur dioxide (SO2).



Ozone Transport States

The Pennsylvania Coal Alliance recently commissioned a study from Energy Ventures Analysis to look at the practical impact implementing RGGI in Pennsylvania would have on the five remaining coal-fired electric generating units in our state. While the study pointed to a certain decline and closure of coal-fired generation units in PA, the study also determined that "PJM generators in nearby states that do not participate in RGGI

¹² <https://www.eia.gov/electricity/state/>

¹³ <http://www.mondaq.com/unitedstates/x/57176/Environmental+Law/Climate+Change+Policy+Update+Week+of+February+48+2008>

will gain an advantage over Pennsylvania generators...” and “...coal plant revenues in Ohio and West Virginia will increase by an average of \$320 million per year as dispatch shifts from RGGI to its non-RGGI neighbors.”

House Bill 2025

Establishing any cap and tax program on carbon emissions in Pennsylvania comes with great risk that goes beyond the survival of fossil-fuel generation in Pennsylvania. The economies of communities in Pennsylvania benefit greatly by the presence of these electric generating units, and they also benefit from the production of coal, which would be significantly impacted with the inevitable closure of these generators. Counties, school districts and municipalities receive millions of dollars in property tax revenues from coal operators, and many of the people living in those communities work at or support the mines. In Greene and Washington Counties alone, nearly \$17 million dollars in taxes are paid by operators annually.

Recently, the 9th Circuit Court of Appeals decided *Juliana v. United States* where the US Government and various cabinet level Departments were sued to stop the permitting and authorizing the use of fossil fuels. In deciding the case, the opinion the majority wrote “*any effective plan [to stop fossil fuel use and reduce GHGs] would necessarily require a host of complex policy decisions entrusted, for better or worse, to the wisdom and discretion of the executive and legislative branches.*”¹⁴

RGGI is not about reducing carbon. It is about money, and only the General Assembly has a constitutional role to consider the risks and potential benefits associated with any tax. The PCA applauds the efforts of Representative Struzzi, Oberlander, Snyder and the 56 other sponsors of House Bill 2025 who recognize the General Assembly’s exclusive role in major tax policy initiatives and in the implementation of a program with so many far-reaching consequences.

¹⁴ <https://cdn.ca9.uscourts.gov/datastore/opinions/2020/01/17/18-36082.pdf>