

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 2843 Session of
2008

INTRODUCED BY REICHLEY, PETRI, BENNINGHOFF, BEYER, CUTLER,
EVERETT, GODSHALL, HARHART, SAYLOR AND WOJNAROSKI,
NOVEMBER 17, 2008

REFERRED TO COMMITTEE ON ENVIRONMENTAL RESOURCES AND ENERGY,
NOVEMBER 17, 2008

AN ACT

1 Establishing a carbon dioxide cap-and-trade program; providing
2 for the powers and duties of the Department of Environmental
3 Protection; and establishing the Energy and Carbon Savings
4 Trust Fund.

5 The General Assembly of the Commonwealth of Pennsylvania
6 hereby enacts as follows:

7 Section 1. Short title.

8 This act shall be known and may be cited as the Pennsylvania
9 Regional Greenhouse Gas Initiative Act.

10 Section 2. Definitions.

11 The following words and phrases when used in this act shall
12 have the meanings given to them in this section unless the
13 context clearly indicates otherwise:

14 "Allowance." The number of carbon dioxide emissions
15 allowances to be credited to a carbon dioxide budget unit or to
16 the general account of the sponsor of an approved carbon dioxide
17 emissions offset project.

18 "Carbon dioxide budget unit." A fossil fuel-fired electrical

1 generating unit that serves a generator with a nameplate
2 capacity equal to or greater than 25 megawatts of electrical
3 output.

4 "Carbon dioxide budget unit compliance obligation account."
5 An account established by rules and regulations to be adopted by
6 the Department of Environmental Protection under section 4 in
7 which carbon dioxide budget units deposit carbon dioxide
8 emissions allowances.

9 "Carbon dioxide emissions allowance." A limited
10 authorization by the Department of Environmental Protection for
11 the emission of up to one ton of carbon dioxide.

12 "Carbon dioxide emissions budget." The total amount of
13 carbon dioxide emissions allowances allocated by the
14 Commonwealth on an annual basis.

15 "Carbon dioxide emissions offset project." A project that
16 reduces or avoids loading of carbon dioxide and other greenhouse
17 gases in the atmosphere and is demonstrated to qualify as real,
18 additional, verifiable, enforceable and permanent as those terms
19 are defined in rules and regulations to be adopted by the
20 Department of Environmental Protection.

21 "Carbon dioxide offset project allowance." A carbon dioxide
22 emissions allowance awarded to the sponsor of a carbon dioxide
23 emissions offset project.

24 "Department." The Department of Environmental Protection of
25 the Commonwealth.

26 "Fossil fuel fired." Combustion of fossil fuel when the
27 fossil fuel combusted constitutes or is projected to constitute
28 more than 50% of the annual heat input on a British Thermal Unit
29 basis.

30 "Fund." The Energy and Carbon Savings Trust Fund established

1 under this act.

2 "Generator." A device that produces electricity and is
3 required to be reported as a generating unit pursuant to the
4 United States Department of Energy Form 860.

5 "Greenhouse gas." A gas in the Earth's atmosphere that
6 absorbs and reemits infrared radiation, including carbon
7 dioxide, nitrus oxide, methane, hydrofluorocarbons,
8 perfluorocarbons and chlorofluorocarbons.

9 "Gross electrical generation." The electrical output in
10 megawatts at the terminals of a generator.

11 "Nameplate capacity." The maximum electrical generating
12 output, expressed in megawatts, which a generator can sustain
13 over a specified period of time when not restricted by seasonal
14 or other deratings.

15 "Regional Greenhouse Gas Initiative." The cooperative effort
16 to reduce carbon dioxide emissions entered into by the governors
17 of nine states through a Memorandum of Understanding signed on
18 December 20, 2005.

19 Section 3. Carbon dioxide cap-and-trade program.

20 (a) Established.--There is established in the department a
21 carbon dioxide cap-and-trade program for the purpose of reducing
22 carbon dioxide emissions in this Commonwealth. Any carbon
23 dioxide budget unit shall be subject to the cap-and-trade
24 program, except that a carbon dioxide budget unit shall be
25 exempt from the program if any of the following apply:

26 (1) It is incapable of producing enough energy to
27 generate 25 megawatts or more of electrical output.

28 (2) Its sale of electricity to any power distribution
29 system is less than 10% of its gross electrical generation on
30 an annual basis. In calculating this percentage all

1 electricity transmitted to the regional grid over the
2 facilities of a transmission and distribution utility as a
3 result of verifiable conservation and demand-side management
4 initiatives or any emergency mandate of the regional
5 transmission organization or lawful order of a governmental
6 authority shall not be included in the calculation of annual
7 sales.

8 (3) Fifty percent or more of its annual heat input comes
9 from the combustion of fuels other than fossil fuels.

10 (b) Allocation of annual carbon dioxide emissions
11 allowances.--In implementing the program established pursuant to
12 this section, the department shall allocate 100% of the annual
13 carbon dioxide emissions allowances for public benefit to
14 produce funds for carbon reduction and energy conservation, as
15 well as other projects that benefit electric users.

16 Section 4. Base annual carbon dioxide emissions budget.

17 The department shall establish a base annual carbon dioxide
18 emissions budget based upon Statewide emissions data for the
19 year ending December 31, 2009. Beginning January 1, 2015, the
20 annual amount of carbon dioxide emissions goal shall be
21 decreased 4% each year so that the decrease in annual carbon
22 dioxide emissions is 12% below the base annual carbon dioxide
23 emissions amount by December 31, 2018.

24 Section 5. Energy and Carbon Savings Trust Fund.

25 (a) Establishment.--The Energy and Carbon Savings Trust Fund
26 is hereby established in the State Treasury to support the goals
27 and implementation of the carbon dioxide cap-and-trade program
28 established under section 3.

29 (b) Payments.--Any revenue resulting from the sale of carbon
30 dioxide allowances and any forward capacity market or other

1 capacity payments from the regional transmissions organization
2 shall be deposited in the fund. The fund shall not be used for
3 any other purpose, and moneys in the trust fund shall be held
4 for the purposes of benefiting consumers.

5 (c) Allocations.--The moneys of the fund shall be used to
6 support the following programs:

7 (1) Energy efficiency and demand-side management
8 programs. These programs shall include, but may not be
9 limited to, improving the electrical and thermal efficiency
10 of this Commonwealth's building stock through weatherization,
11 energy auditing, energy efficiency work force training,
12 grants and loan programs for energy efficiency and demand-
13 side management response measure installation and for the
14 integration of passive or active solar energy and other
15 renewable energy systems into a building envelope.

16 (2) At least 25% of the moneys shall be used to assist
17 low-income residential consumers as defined by the Department
18 of Public Welfare. These moneys shall be used to supplement
19 the Low Income Heating Assistance Program and the Low Income
20 Weatherization Program.

21 (3) Notwithstanding paragraphs (1) and (2), any funds in
22 excess of the threshold process established by the department
23 and the commission for any allowance sale made upon adoption
24 of the regulations by the department that are deposited in
25 the fund shall be rebated to all electric ratepayers in this
26 Commonwealth on a per-kilowatt hour basis in a timely manner
27 to be determined by the commission.

28 Section 6. Regulations.

29 No later than January 1, 2010, the department, in
30 consultation with the Pennsylvania Public Utility Commission,

1 shall adopt any rules and regulations necessary to implement the
2 cap-and-trade program established pursuant to section 3. The
3 rules and regulations shall include, but not be limited to:

4 (1) The establishment of a system for the annual
5 assignment, sale and distribution of carbon dioxide emissions
6 allowances consistent with the carbon dioxide emissions
7 budget.

8 (2) The establishment of carbon dioxide budget unit
9 compliance obligation accounts.

10 (3) The establishment of carbon dioxide offset project
11 allowance categories and requirements.

12 (4) The implementation of a licensing process for carbon
13 dioxide budget units.

14 (5) The establishment of a carbon dioxide emissions
15 allowance tracking program.

16 (6) The management of the carbon dioxide allowance
17 auction developed in coordination with other states and
18 jurisdictions in the Regional Greenhouse Gas Initiative.

19 Section 7. Effective date.

20 This act shall take effect immediately.