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Independent Regulatory Review Commission

Stephen Hoffman

From: ecomment@pa.gov
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To: Environment-Committee@pasenate.com; IRRC; environmentalcommittee@pahouse.net; regcomments@pa.gov; ntroutman@pasen.gov; timothy.collins@pasenate.com; gking@pahousegop.com; siversen@pahouse.net
Cc: c-jflanaga@pa.gov
Subject: Comment received - Proposed Rulemaking: CO2 Budget Trading Program (#7-559)

pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Re: eComment System

The Department of Environmental Protection has received the following comments on Proposed Rulemaking: CO2 Budget Trading Program (#7-559).

Commenter Information:

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Comments entered:

I oppose Governor Wolf's proposed regulation, CO2 Budget Trading Program as published in the Pennsylvania Bulletin on November 7, 2020 (50. Pa. B. 6212), Proposed Rulemaking: CO2 Budget Trading Program (#7-559): which will join Pennsylvania to the Regional Greenhouse Gas Initiative (RGGI). I urge the Independent Regulatory Reform Commission (IRRC) to reject Governor Wolf's proposed RGGI tax.
For at least the following Reasons:
1. Governor Wolf will be using the proceeds from its cap-and-trade program to fund his $4.5 billion "Restore Pennsylvania Infrastructure" initiative.
2. Governor Wolf 's desire to join RGGI seems to be more about imposing a carbon tax as a revenue generator and little to do with actual environmental concerns.
3. The proper solution to this bloated, bureaucratic, overly complex program would be to tax electricity use to deter consumption rather than going through the elaborate auction and cap-setting process?
4. If you investigate the past practices of the RGGI it reveals that the cooperative is more of a tax revenue entity and less of the environmental proponent it claims to be.
5. Each state sells the CO2 emissions allowances via auctions and is supposed to invest the proceeds in energy efficiency, renewable energy and other consumer-benefit programs. There are over 170 facilities governed by RGGI emissions allowance rules.
6. RGGI maintains that its cap-and-trade program is market-based. But the mechanisms it uses,

such as setting a minimum price called the "reserve price" and other market interventions like "cost containment reserve" and "emissions containment reserve" —are not characteristic of free-market mechanisms.
7. A very conspicuous failure of the program occurred in 2009 when RGGI's cap exceeded actual emissions. In 2009 actual emissions were 44 percent below cap emissions. Which meant RGGI effectively did nothing to decrease emissions, only taxing them. The first emissions cap from 2009 to 2014 used assumptions based on 2005 emissions levels under the erroneous assumption that emissions would rise from that level and, as a result, set the cap far above actual emissions.
8. Only by setting an artificial price floor could the system work in a situation where supply exceeds demand. Moreover, the scheme is little more than a tax-revenue generator as emissions have fallen below the cap-constrained market. So much for having an impact on the environment.
9. While RGGI maintains that auction proceeds should be used to promote energy efficiency, bill-assistance and renewable energy projects, the reality is very different. Both New York and New Jersey used RGGI proceeds to help pay down state deficits.
10. This underscores the point that environmental concerns can be, and are being, used as pretext to garner support for taxation and government revenue.
11. In "A Review of RGGI" by David T. Stevenson, of the CATO Institute, concluded that RGGI state electric rates created a 35 percent reduction in energy-intensive industries (primary metals, food processing, paper products, petroleum refining and chemicals) and a 13 percent decrease in the overall goods-production sector. For comparison, Stevenson looked at five non-RGGI states (Illinois, Ohio, Oregon, Pennsylvania and Texas) and found that they had only a 4 percent decrease in energy-intensive industries and a 15 percent increase in goods production. The CATO report also found increased electric rates in RGGI states.
12. Using the weighted average nominal electricity revenue for multi-state groups, Stevenson found that from 2007 to 2015 electricity prices in RGGI states increased by 64 percent more than in the non-RGGI sample states. The review also found RGGI's mandated allowances added $11 million a year to Delaware's electric bills and $28.5 million for indirect costs due to RGGI rules.

No attachments were included as part of this comment.

Please contact me if you have any questions.

Sincerely,
Jessica Shirley

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