



Testimony for CO2 Budget Trading Program Regulation
Pennsylvania Department of Environmental Protection
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- Good morning! I am Nancy Boxer
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- Speaking for the **Association for Climate Health**

Many have already testified about the benefits of joining RGGI. Instead I will discuss objections and what to keep in mind if PA does join. More detail is in our report on RGGI at www.a4ch.org/publications.

The arguments for and against RGGI

CO2 emissions reductions

CO2 emissions from RGGI state power plants fell nearly 50%, almost twice as fast as in non-member states.¹

Critics question how much of the decline was due to RGGI and how much to economics, fuel switching, etc. Would the same decline have happened anyways, and without RGGI's cost? Economists Murray and Maniloff conclude that only 1% of the decline was due to the recession of 2009-11. More was from utilities switching to natural gas, but overall, emissions would have been 24% **higher** in the region without RGGI, and RGGI program reductions reduced **national** CO2 emissions by 2%.²

¹ Acadia Center, "The Regional Greenhouse Gas Initiative: 10 Years in Review," 2019, https://acadiacenter.org/wp-content/uploads/2019/09/Acadia-Center_RGGI_10-Years-in-Review_2019-09-17.pdf

² Murray and Maniloff, "Why have greenhouse emissions in RGGI states declined? An econometric attribution to economic, energy market, and policy factors," *Energy Economics*, Volume 51, September 2015, Pages 581-589. An earlier draft of this from 2014 is more easily accessible at <https://poseidon01.ssrn.com/delivery.php?ID=472093064123005108091022112012030009041017062031079020023099118006116003118120115024030049123054053040034007126069090093092013051016034093003068112072028126081081124014013043072117066007098085000010092088088092117029019070079075099094120067000105071116&EXT=pdf>

Some³ argue emissions reductions were due to loss of industry or to energy efficiency programs. Loss of industry can be concerning, and we address this below. But efficiency programs were often funded by RGGI proceeds, so any success from them should be partly credited to RGGI.

Some argue that non-RGGI states added more renewables than RGGI states. This is due to climate – with more sunny days in Southern and Western states, strong winds on the West Coast and Great Plains, plus tax incentives boosting solar in California. Thus the comparison is misleading. When coal plants shut down and their owners sell RGGI permits for a profit, replacing the power with renewables, whether local or transmitted from Kansas and Texas, this is what RGGI works to accomplish.

Some question if RGGI's emissions cap actually provokes reductions, given that it has mostly been higher than actual emissions. Yet even with a gap, the cap has an impact. New capital investments in power plants require advance planning. From design to regulatory approval to completion is easily a 3-6 year time lag. When you **know** the cap on allowances will tighten every year, you begin the long process of adjusting for a lower-carbon future.

Health Impacts

Reducing carbon emissions improves public health by reducing global warming, and also by cutting back pollution from fossil fuels. One critic argues that there were no net health gains but provides no proof. Another⁴ points out that PA already has lower asthma rates than RGGI states. This does **not** prove that RGGI is unnecessary. No matter what our asthma rates, they will go **down further** by reducing emissions.

Job and economic growth

³ David T. Stevenson, *Cato Journal*, Vol. 38, No. 1 (Winter 2018), <https://www.cato.org/sites/cato.org/files/serials/files/cato-journal/2018/2/cato-journal-v38n1-chapter-11.pdf>

⁴ The Allegheny Institute for Public Policy, "Regional Greenhouse Gas Initiative is Wrong for PA," October 10, 2019, <https://www.alleghenyinstitute.org/regional-greenhouse-gas-initiative-is-wrong-for-pa/>

Critics argue that RGGI price increases will shift energy-intensive businesses and jobs to other states. This may be true - large energy users cannot compete when peers pay less for power or adopt more efficient technology. PA can use RGGI revenues to help manufacturers identify lower cost technologies. We already provide grants or low-cost loans to subsidize efficiency with the Small Business Advantage Grant programs, the Solar Energy Program, the Green Energy Loan Fund, and can expand these if needed when we join the pact.

Additional jobs and economic growth from investing in renewables and efficiency may result in a net economic gain.

Affordability

Some argue that non-RGGI states had smaller electric price increases than RGGI states. While this is true, the difference is a tiny fraction of a percent per year, less than the cost of inflation. And Former Assistant Secretary of Energy Susan Tierney points out that when the states invest in energy efficiency programs, the reduction in demand more than offsets the RGGI direct costs, thus electric bills for consumers fall overall.⁵

Additionally, increases can be tempered by programs to support low income residents. Pennsylvania has some programs in place and can add more if needed.

Conclusion

RGGI has succeeded on several fronts. Is it perfect? No. Their cap may be overly generous, and it may lose us some manufacturing, jobs, and tax revenues. Yet these impacts can be mitigated as discussed above.

RGGI is a successful, established mechanism to reduce greenhouse gases. In its 10 year history it helped reduce emissions and provided funds for climate, environmental and social justice purposes. These accomplishments are no small thing. Its health benefits are undeniable. Where states used the proceeds to

⁵ *Stevenson, et al. v. Delaware Dept, of Nat. Resources & Environmental Control, et al.*, C.A. No. S13C-12-025 RFS. Decision after trial submitted June 26, 2018.

invest in efficiency and equity measures, there are additional social gains. Overall, we believe that RGGI is a success and PA should join.

Thank you for this opportunity to speak.