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Independent Regulatory Review Commission

Monroe Energy®

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Independent Regulatory Review Commission
333 Market St
Harrisburg, PA 17101

Dear Commissioners,

We would like to begin by thanking the Independent Regulatory Review Commission for the opportunity to offer our concerns regarding the Regional Greenhouse Gas Initiative (RGGI).

Monroe Energy, LLC owns and operates a 200,000 barrel per day petroleum refinery located along the banks of the Delaware River in Trainer, Pennsylvania. As one of the oldest operational refineries in the United States, and one of the last remaining refineries on the eastern seaboard, Monroe plays a vital role in our nation's national and energy security, and also provides vital transportation fuels that propel our economy. Monroe employs roughly 500 highly skilled team members, and thousands of other Pennsylvanians rely on our facility for their livelihoods such as building tradespeople, as well as those that support our operations while working at other businesses from across the Commonwealth and beyond.

We know this because on January 9, 2012, the Pennsylvania Department of Labor released a study[1] which showed that the refineries in Delaware County had a job multiplier effect of 18.3 for southeastern Pennsylvania, 22 for the state and 61 across our nation. This is one of the highest job multipliers in the United States. It means that our single refinery helps to support 9,150 jobs locally, 11,000 across the Commonwealth and 30,500 in the United States. From local restaurants and machine shops, to supply stores and the talented members of the Building Trades, our facility supports thousands of family-sustaining jobs.

Our Focus on Sustainability

Monroe, along with many other businesses across our Commonwealth, believes strongly in proactively doing our part in building a more environmentally sustainable future. We agree with the Governor that industries should take substantive, meaningful steps to achieve these goals, and we are doing so. And while we plan to continue doing our part to help Governor Wolf meet his emissions reductions goals, we believe that RGGI is not the answer for Pennsylvania.

Since Monroe's purchase of the Trainer Refinery in 2012, our operating philosophy has been centered on integrity, trust, mutual respect, and open communications. We care deeply for our employees, contractors, communities, and the environment. And to that end, we make continual investments that will advance our goal of maintaining environmental excellence in our operations.

Since restarting the refinery, we've invested hundreds of millions of dollars in capital projects that have measurably reduced the carbon footprint of our operations. When compared against our predecessor in ownership, in the eight years that we have operated our facility, we've reduced emissions by nearly 27% while simultaneously increasing the volume of fuels we produce. Monroe also has ambitious sustainability goals that involve substantial capital investments in our facility in the coming years. However, we fear that enacting a program like RGGI will increase costs to such an extent that we may be unable to move forward with some

[1] https://www.doleta.gov/Performance/results/AnnualReports/PY2012/PA_Impact_Conoco_Sunoco_Closings.pdf

of these projects. These are projects that would provide a direct, tangible benefit to the environment in our region.

RGGI will Create Significant Financial Burdens Across the Entire Commonwealth

While we are concerned that enacting RGGI would be particularly harmful to large energy consumers like Monroe, we are also concerned with how it will affect others. The increase in electric costs will also be borne by hospitals, school districts, local and state governments, the average homeowner or renter, and many more – meaning anyone who uses <u>any</u> amount of electricity will bear the burden of these costs both directly and indirectly.

Even more concerning is that a July 17, 2018 Congressional Research Service[2] document on RGGI states, "In addition, economic studies generally conclude that *lower-income households would likely face a disproportionate impact* if some portion of the revenues were not recycled back to provide them meaningful benefits."

It's confusing to us that some in the Commonwealth have actually expressed that electricity rates under a RGGI system will go down while the data and even a PA DEP Senior Advisor have stated otherwise. An April presentation produced by PA DEP indicated that rates have decreased in RGGI states since RGGI's inception. However, a PA DEP Senior Advisor has also noted that rates would increase[3] if Pennsylvania were to join RGGI. Information from the US Energy Information Administration[4] shows that RGGI states averaged much higher electric rates than non-RGGI states. The snapshot below is a comparison taken from the aforementioned EIA data for our region only.

RGGI States	Average Retail Price (cents/kWh)
Connecticut	18.66
Delaware	10.52
Maine	14.04
Maryland	11.24
Massachusetts	18.4
New Hampshire	17.15
New Jersey	13.42
New York	14.34
Rhode Island	18.49
Vermont	15.36
RGGI STATES AVERAGE	**15.162**

Non-RGGI States	Average Retail Price (cents/kWh)
Pennsylvania	9.81
Ohio	9.58
Virginia*	9.52
West Virginia	8.49
NON-RGGI STATES AVERAGE	**9.35**

* Virginia data reflects price prior to joining RGGI in 2020.

The EIA data above shows that non-RGGI states in our region pay roughly 38% less for electricity when compared to RGGI States. This same data clearly suggests that if RGGI were to be implemented here,

[2] https://crsreports.congress.gov/product/pdf/IN/IN10930
[3] https://stateimpact.npr.org/pennsylvania/2020/04/23/dep-projects-pa-could-cut-carbon-emissions-dramatically-as-part-of-cap-and-trade-effort/
[4] https://www.eia.gov/electricity/state/

the cost per kilowatt hour in the Commonwealth would more closely resemble that of the RGGI states, and that Pennsylvania electric bills would go up, not down.

While these rate increases may appear nominal for residential and other low-use ratepayers, many such customers are struggling to make ends meet and more are relying on unemployment to pay the bills[5] – particularly as they try to survive through the COVID-19 pandemic. What's more, large energy consumers such as manufacturers, universities, hospitals, and others stand to be saddled with far greater rate increases. As a result, such large energy consumers, including Monroe, will essentially be faced with three options: 1. Cut costs and expenses, 2. Pass along the costs to the end users, or 3. Discontinue their operations. Most entities will likely seek a combination of the first and second options, and so either way, costs for end users will increase. In essence, RGGI implementation will raise the cost of everyday items and goods, college tuition, hospital services, municipal expenses, school district expenses, and so on. This hidden consequence of RGGI implementation must not be overlooked or dismissed; instead, we should ask whether this wide-ranging accumulation of cost increases is sustainable in our state, and ultimately even beneficial to Pennsylvania.

Pennsylvania is Currently a Major Energy Exporter – RGGI Could Threaten this Status and the Associated Financial Benefits that Come with it

EIA further states that Pennsylvania is the third largest producer of electricity in the nation, and is the largest net energy exporter state in the country[6]. Surrounding states have benefited from the electricity that is produced here and sent into their states from Pennsylvania's electric generation plants. It's disingenuous for those states (and frankly, for other proponents of RGGI) to tout how beneficial RGGI has been for them, because many RGGI states have reduced their carbon output simply by closing power plants and importing their electricity needs from states like Pennsylvania. Taking credit for carbon reduction by simply shifting the numbers beyond the borders of their state does not really benefit the environment as a whole.

What's been truly meaningful for the environment is what has happened in the Commonwealth over the past 15 years. Between 2005 and 2017, Pennsylvania's energy sector has reduced CO2 emissions by 39% from 126 million metric tons to 76.8 million metric tons - all without RGGI (EIA - Electricity Energy-Related Carbon Dioxide Emissions)[7]. This is mainly attributed to the abundance of natural gas across the Commonwealth and the construction of many new gas fired power generations plants – enabling Pennsylvania consumers to simultaneously enjoy cheaper electric generation costs and a cleaner environment.

Emissions in Pennsylvania have Already been Falling without RGGI

We believe that the downward trend in CO2 emissions will continue even as the Commonwealth's energy needs increase due to population growth, and business expansion and relocation into our state. While the transition to natural gas and technological advances clearly play a role in this evolution, we cannot understate the positive results we've realized due to a renewed focus on environmental sustainability by industry throughout our Commonwealth.

But if Pennsylvania joins RGGI, it's almost certain that we will simply force power generation companies out of our state and into non-RGGI neighboring states, just as other RGGI states have done in the past. The increased emissions in other states that we do not regulate will then leak back across our borders ("leakage"), negating the environmental benefits the program is touting. This specific issue was

[5] https://www.post-gazette.com/local/region/2021/01/04/Pennsylvania-Pittsburgh-Utility-customers-in-debt-relying-unemployment-bill-paying/stories/202012310089
[6] https://www.eia.gov/state/analysis.php?sid=PA
[7] https://www.eia.gov/environment/emissions/state/

such a concern that a 2019 Congressional Research Service report – (see page 15)[8] indicated that the RGGI program designers recognized that this could ultimately undermine the environmental benefits that RGGI could potentially produce.

So we really need to ask ourselves: Why would we want to lose PA jobs, lose the economic infusion into our state and local economies, and lose control over the emissions generated from our electricity production? This surely seems like a path we shouldn't go down.

Compliance Credit Programs have a Tendency Towards Cost Increases Beyond Program Projections

Another troubling aspect of RGGI is the unpredictable credit marketplace. History has clearly shown that these systems often take on a very different and untenable configuration than what the creators intended. Our personal experience with environmental compliance credit programs indicates that they typically evolve into systems in which credits become scarce, leading to drastic price inflation which in turn creates higher costs and a financially unsustainable situation for regulated parties, who are often forced to pass a good portion of these cost increases along to its customers. We speak from a place of direct knowledge on this front, albeit related to a different program – the federal Renewable Fuels Standard ("RFS").

In short, the RFS program is the vehicle which mandates that a certain percentage of renewable fuels such as ethanol must be blended into our nation's fuel supply. Although Monroe is a major transportation fuel producer, our ability to blend ethanol into the fuel we produce is limited for a number of reasons, so companies in our position must purchase compliance credits ("RINs") in order to meet our obligations under the program.

Over the years, the RINs market has been exceptionally volatile, and Governor Wolf knows of this struggle very well. He along with several other governors around the United States joined a bipartisan effort to seek reforms to the RFS, and we are grateful for his help on this front. We explained to the Governor how, in 2017 alone, Monroe spent more money on RFS compliance credits than on the 2012 purchase price of the entire refinery. To date, our compliance costs under the RFS have exceeded $600 million.

Much of the available evidence and historical data suggests that RGGI implementation in Pennsylvania will lead to ever-increasing costs to regulated parties and, ultimately, ratepayers. Since RGGI's inception, compliance credit costs have steadily increased. The third RGGI credit auction price in 2020 climbed 20.7% from the second auction held earlier in the year, representing the highest price since 2015. The final auction of 2020 saw prices rise even higher[9], adding another 8.65% increase on top of the prior quarter price increase. As we've seen with other credit-based compliance programs, and as we're seeing with RGGI, credit prices generally increase over time – and they very rarely decrease. So there is every reason to believe that this trend will continue, and ratepayers of all varieties will bear the brunt of these unpredictable, added costs.

Potentially Joining RGGI has Generated Rare Bipartisan Common Cause in Harrisburg and Beyond

One of the more notable aspects of the discussion of Pennsylvania joining RGGI has been the degree to which Democrat and Republican legislators, as well as labor and industry groups, have agreed

8 https://fas.org/sgp/crs/misc/R41836.pdf

9 https://news.bloomberglaw.com/environment-and-energy/northeast-carbon-auction-helps-states-buffer-virus-hit-to-budget

that it would be harmful to Pennsylvania. In September of 2020, House Bill 2025 passed the House of Representatives with a vote of 130-71. This bill delineated a process of legislative approval as a prerequisite to Pennsylvania joining RGGI. Although House Bill 2025 was introduced by Representative Jim Struzzi (R), nearly thirty percent of the Democratic members of the House supported the bill. The measure then received additional bipartisan support in passing the Senate, further demonstrating significant agreement from both sides of the political aisle regarding the dangers posed by RGGI.

In addition to substantial legislative opposition to RGGI, a number of business advocacy organizations have expressed their dismay over the harm that would result if Pennsylvania joined RGGI. The Pennsylvania Chamber of Business and Industry, the Pennsylvania Manufacturer's Association, the National Federation of Independent Businesses, and other organizations that represent large and small Pennsylvania employers have all expressed significant concern. The impact of rising utility costs on businesses of all sizes will stifle growth and new investment, as well as putting jobs at risk, all of which our state can ill afford in the current economic climate.

Yet another coalition that stands to suffer significant harm if RGGI were to be implemented in Pennsylvania is organized labor. Chapters of the IBEW, Boilermakers, the PA State Building and Construction Trades Council, as well as other labor groups from around the Commonwealth, are concerned about what RGGI could mean for their members. In late 2019, Trades Council President Frank Sirianni expressed concern[10], "for the thousands of jobs his members would lose" if RGGI were to be implemented. In May of 2020, after the PA Air Quality and Technical Advisory Committee hearing on RGGI, PA AFL-CIO President Rick Bloomingdale echoed this sentiment, saying[11] that RGGI "would prove financially fatal to several key jobmakers around the state" and that it would "decimate communities and pass energy rate hikes onto consumers at the worst possible time."

We know firsthand that many of the local building trades in our area feel the same way, as their members depend on the capital project work that takes place at facilities like ours across the Commonwealth. With the closure of Philadelphia Energy Solutions last year, and the recent major production draw-down of the PBF Paulsboro refinery, local union members working at these two previously reliable worksite locations have been significantly impacted. These facilities have provided life-changing opportunities for generations of Pennsylvania families. But if facilities like ours are forced to cut capital expenses, that could result in even less work available for these tradesmen and women, forcing them to look to other states for work. Given the pain that the pandemic has already inflicted upon businesses and the union workers that support them throughout the Commonwealth, RGGI's implementation and the inevitable associated cost increases feel particularly inappropriate at this time.

A Variety of Parties Should Be Included to Discuss Meaningful Alternatives to RGGI

A program like RGGI has far-reaching implications for all Pennsylvanians, which means a greater number of voices should have been part of the conversation from the start. Instead, the program's framework was designed by a small number of people within the Administration, rather than through an inclusive process with all concerns and expertise represented.

One of the main bones of contention pertaining to RGGI has been the lack of the General Assembly's involvement in the process – a concern which has been conveyed at numerous hearings. Additionally, the bipartisan passage of HB 2025 in the House and Senate which was subsequently vetoed by the Governor, sought to clarify that PA DEP does not have authority to join the Regional Greenhouse Gas Initiative or

[10] https://www.penncapital-star.com/blog/trade-unions-join-the-fight-against-wolfs-interstate-initiative-to-limit-carbon-emissions/
[11] http://www.paaflcio.org/?p=10055

similar State or regional greenhouse gas cap-and-trade programs unless authorized by the General Assembly[12]. We believe that the General Assembly should have been involved from the start so that members could weigh the benefits and costs of potentially enacting a program such as this. This would have also enabled more Pennsylvanians to have their voices heard before a program rollout as members would have been able to interact with their constituents on their areas of concern and their ideas from the onset.

A bipartisan letter[13] in May of last year also expressed a desire to see greater input from all Pennsylvanians saying, "Unfortunately, to date, DEP has failed to fulfill the mandate of your Executive Order, and given the ongoing COVID-19 crisis, there is no possible way for DEP to conduct meaningful public outreach adequate to ensure the voices of impacted workers, communities and businesses to be heard prior to the development of the proposed RGGI regulation." The reoccurring theme here is that the program was designed without the diversity of thought and geographical representation that is necessary in order to ensure that the concerns and ideas of all Pennsylvanians were accounted for.

While much of the hearings and articles written on RGGI have focused on the specifics of the program outlined by DEP, some have talked about alternatives to RGGI that could lead to more positive outcomes. And although this is not the forum to flesh out such alternatives in precise detail, we want to recognize a recent announcement that resonated with us.

In October 2020, Governor Wolf signed onto an MOU[14] committing Pennsylvania to establishing a regional CO2 transport infrastructure plan. Carbon capture technology has tremendous potential, and Pennsylvania is poised to benefit from its implementation. At Monroe, we have been looking into carbon capture technology and how it could be scaled at the industrial level in order to enhance our sustainability plans. Pipelines around the country are already in CO2 service, so building out a carbon capture infrastructure in Pennsylvania would create thousands of jobs, and once completed would lead to meaningful reductions in CO2 emissions across our Commonwealth. This is an idea that should be explored more thoroughly and we would be delighted to be part of that conversation.

We strongly believe that RGGI is not the answer for Pennsylvania, and that alternatives should be given serious consideration. However, if RGGI implementation does ultimately happen in Pennsylvania, we respectfully request that there be a mechanism in place as part of its structure that allows for some of the proceeds to be reinvested by businesses for sustainability-related projects. We would propose that a portion of the proceeds raised from RGGI be set aside into a new and specific state grant-related fund. Under this concept, businesses could apply for grant funding to help offset the cost of capital projects that would specifically have a meaningful impact on the businesses' environmental sustainability, and even more so for the surrounding community. This system would lead to a better outcome as it would help alleviate some of the financial burden caused by RGGI while also incentivizing businesses to continue with capital work that would impact our environment in a positive manner.

There are also many different viewpoints across the Commonwealth about how RGGI proceeds could be reinvested into the Commonwealth. Therefore, this discussion should be inclusive to ensure that the money is spent in a way that provides the greatest benefit to the environment in all areas of the Commonwealth.

Conclusion

As mentioned previously, Monroe and many other businesses from across the Commonwealth have already committed much energy and capital to taking bold steps to help the Governor achieve his target

[12] https://www.legis.state.pa.us/WU01/LI/BI/FN/2019/0/HB2025P3907.pdf
[13] http://www.pahousegop.com/Display/SiteFiles/1/OtherDocuments/2020/stuzziFinalRGGILetter.pdf
[14] https://www.governor.pa.gov/newsroom/pennsylvania-joins-6-states-in-commitment-to-plan-for-co2-transport-infrastructure/

environmental goals. Our hope is that we can be part of the dialogue, because by working together, government and business can create a path forward that improves our environment without saddling family-sustaining businesses with unpredictable additional costs.

Environmental regulations should be grounded in science, while also taking into consideration the many risks they pose (both environmental and economic), as well as feasible alternatives that can help achieve the regulations' ultimate goal. So far the process with potentially implementing RGGI has unfortunately not lived up to this standard. We also know that RGGI is just one of many programs that are being discussed[15], as the administration has acknowledged that RGGI alone will not achieve the Governor's emission reduction goals.

Some have suggested that joining RGGI would be a sign that Pennsylvania is taking bold action on combating climate change. While we should all be focused on doing our part to create an even cleaner environment, claiming that RGGI will have a monumental impact globally is not supported by scientific reality. In the summary of a 2019 Congressional Research Service Report[16], the following was stated, "From a practical standpoint, the RGGI program's contribution to directly reducing the global accumulation of GHG emissions in the atmosphere is arguably negligible." If the *entire* program's contribution towards reducing global accumulation of GHG emissions is negligible, then what does that mean for Pennsylvania's potential contribution towards this effort?

RGGI implementation will undoubtedly lead to unpredictable, and ultimately unsustainable cost increases for all ratepayers in Pennsylvania. We believe that this in turn will most likely trigger an exodus of businesses and the workers that those businesses support, as this has been the precise trajectory following the implementation of carbon trading programs in other states. As we all work to keep our heads above water during the lingering pandemic, RGGI implementation feels particularly perilous at this time.

We again offer our sincere thanks to the Independent Regulatory Review Commission for the opportunity to offer our comments on this topic, and we stand ready to have a meaningful dialogue with members of the Governor's administration in good faith in order to continue moving Pennsylvania forward.

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15 http://files.dep.state.pa.us/Energy/Office%20of%20Energy%20and%20Technology/OETDPortalFiles/Climate%20Change%20Advisory%20Committee/2020/10-27-20/Working%20List%20of%20GHG%20Reduction%20Strategies%20-%202021%20PA%20CAP.pdf

16 https://crsreports.congress.gov/product/pdf/R/R41836