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January 14, 2021

Environmental Quality Board  
P.O. Box 8477  
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[via email to [RegComments@pa.gov](mailto:RegComments@pa.gov)]

**Re: Greater Pittsburgh Chamber of Commerce, an Affiliate of the Allegheny Conference on Community Development, Comments on Proposed Regulations to Amend 25 Pa. Code Chapter 145, 50 Pennsylvania Bulletin 6212 (November 7, 2020)  
Regional Greenhouse Gas Initiative Regulations**

To Whom It May Concern:

The Greater Pittsburgh Chamber of Commerce (“Chamber”), an Affiliate of the Allegheny Conference on Community Development (“Conference”), submits the following comments on the Commonwealth of Pennsylvania’s proposal to participate in the Regional Greenhouse Gas Initiative and the proposed Chapter 145 regulations to implement a carbon cap and trade program in Pennsylvania. We appreciate the opportunity to provide these comments.

The Chamber supports the need to address climate change through means that boost the economy and enhance competitiveness while providing reliable, long-term and affordable sources of energy for the Commonwealth. The spirit and broad objectives of this proposal are positive, but they can only be achieved with well thought out and nuanced execution plan. We submit our comments in the vein of a request for additional information and stronger supporting evidence we believe is material to effective execution of the proposal. We acknowledge that it will take all people, sectors and solutions to assist with this effort, and we would like to be an organization at the table that is positively helping to not only shape this program, but to ensure that the Commonwealth’s low carbon future is positive for the economy and environment.

The Conference’s Board of Directors approved Sustainability Principles in January 2019 that guide our economic development efforts. The Conference’s *Next Generation Economy for All* agenda is dependent on both strengthening our region’s economic future and, in an intentional and inclusive way, improve the quality of life for all who reside here. The principles are aspirational and yet action oriented with a focus on the history, scope, and mission of the Conference:

**Principle 1: Community and Individual Well-Being.**

We promote and encourage policies and practices that provide equal access to improved economic growth and quality of life for all, to ensure the long-term well-being of our communities and our residents.

**Principle 2: Resource Stewardship.**

We promote the adoption of sustainable consumption and production patterns, increased efficiency and minimized resource use and waste in all its forms (i.e., land, water and air), and actions that contribute to positive improvements to the four P's of people, planet, place, and performance.

**Principle 3: Clean Energy.**

We promote and encourage policies and practices that increase access to more affordable, reliable, sustainable and clean energy for all.

**Principle 4: Innovation and Technology.**

We promote further funding and deployment of innovation and technology that increases the sustainability of our industries, improves the resiliency of our infrastructure, and addresses factors that contribute to climate change.

**Principle 5: Partnerships to Achieve the Principles.**

We encourage and participate in cross sector and inclusive partnerships to achieve the region's sustainable development goals.

We appreciate the significant effort that the Department of Environmental Protection has already put into preparing the proposed RGGI regulations for public comments. The goal for offering our following comments and questions is to promote transparency, and to help us gain a better understanding of the data and analytics informing the policy and how the program connects most directly to the principles above. While we understand and support the need to reduce CO<sub>2</sub> emissions, we believe that a better documented evidence of the stipulated impacts and proposed implementation processes will result in a stronger final product and ensure that all stakeholders are better prepared to work with our public officials on this policy.

Acknowledging the fact that DEP's Air Quality Technical Advisory Committee, the Citizens Advisory Committee and the Small Business Advisory Committee have not yet concurred with DEP's recommendation to move forward with the proposed regulations, we want to ensure that DEP and the Environmental Quality Board have fully considered all significances, both positive and negative, of the proposal. Most of our comments are targeted around ensuring broad stakeholder access and review of the actual data that DEP's modeling consultant used to analyze the costs and benefits of the proposal. To that end, there are several conclusions in the Preamble or the Regulatory Analysis Form (RAF) where additional discussion would be helpful. We highlight these below.

Raising Revenue and Distributing Auction Proceeds. The Preamble cites Section 5(a)(1) of the Pennsylvania Air Pollution Control Act (APCA – 35 P.S. § 4005(a)(1)), which authorizes the adoption of rules to prevent, control, reduce and abate air pollution, as the legal authority to promulgate the proposed RGGI regulations. DEP states CO<sub>2</sub> constitutes “air pollution” under Section 3 of the statute. This raises the question as to whether the Administration has the authority to sign a memorandum of understanding with existing RGGI states to establish an interstate compact or agreement to implement the regulations without General Assembly authorization, even assuming that Section 5(a)(1) provides adequate authority to promulgate them. It would be helpful if DEP addresses these contentions in the Preamble or the RAF.

Regarding revenue, the Preamble and Section 10 of the RAF anticipate that a CO<sub>2</sub> allowance auction will generate approximately \$300 million in proceeds in the first year of participation in RGGI. The Department modeled an investment scenario with 31% of annual proceeds used for energy efficiency, 32% for renewable energy and 31% for greenhouse gas abatement. Presumably, proceeds from allowance auctions would initially be placed in DEP’s Clean Air Fund. Section 9.2(a) of the APCA (35 P.S. § 4009.2(a)) currently limits disbursements from the Fund “for use in the elimination of air pollution.” Elaboration on whether the Administration believes that it has the authority to pursue this distribution structure under APCA is appreciated.

Environmental and Human Health Benefits. Section 10 of the RAF states that climate change has caused and will continue to cause higher ambient temperatures and increase the potential for additional flooding in Pennsylvania unless CO<sub>2</sub> emissions are curbed and concludes the Chapter 145 regulations are needed to address these significant impacts.

The RAF does not project how adopting the RGGI regulations will ameliorate temperature increases or abnormal precipitation patterns. We believe it would be beneficial for EQB and DEP to address this point as part of its cost/benefit analysis. For example, we submit that information on efforts by DEP’s technical consultant to model the effect, if any, that adopting the proposed regulations will have on regional climate would be helpful to have in the record.

Section 10 also predicts the RGGI regulations will result in significant health benefits. Those benefits are attributable to ancillary reductions in SO<sub>2</sub> and NO<sub>x</sub> emissions but there is not a discussion of whether there will be health benefits directly attributable to reducing CO<sub>2</sub>. We are particularly interested in DEP’s analysis and data supporting the notion that there will be positive impacts from RGGI – both economic and social – in low-income and underserved communities as a result of CO<sub>2</sub> reductions. Elaboration on whether this part of the issue has been studied and modeled and any corresponding results would help the public discourse on this important area, and we request that DEP address this point in its response to comments.

Electricity Costs and Impacts on Small Business. The discussion of electric prices in Section 12 of the RAF focuses exclusively on residential electric consumer bills. However, as evident from Figure 2 in this section, the RGGI regulations will increase power prices each year from 2022 through 2030. Greater

elaboration of how the regulations will affect the cost of electricity to commercial and industrial customers is necessary. The Pittsburgh region, like many other areas of the state, has a significant industrial sector and employment base. A more thorough analysis of the projected difference in cost of electricity to Pennsylvania's industrial and commercial customers would be helpful to better understand the implications of the regulations.

The Regulatory Review Act requires DEP to analyze the probable effect of a regulation on small businesses. As currently written, Section 24 of the RAF simply states that ten businesses, most of which are waste coal fired facilities, would be subject to the regulations and that the waste coal CO<sub>2</sub> allowance set aside will minimize the impact on them. However, the majority of Pennsylvania's commercial electricity consumers are small businesses of less than 500 employees. They are not necessarily electric generators covered by the regulations, yet they could be impacted by them. Additional discussion regarding how the regulations may affect costs for small businesses, particularly those stressed by the current pandemic, would be very helpful.

Leakage. The Preamble acknowledges that the RGGI program historically has experienced some emissions leakage, the shifting of generation from states with carbon pricing to states without it. DEP's modeling indicates there will be leakage from Pennsylvania to states including West Virginia and Ohio that also supply power to the PJM Interconnection. Section 17 of the RAF does not, however, assess the amount of power generation, the capital expenditures, or the number of jobs that might migrate to other PJM states. This section states DEP will conduct additional modeling with PJM's Carbon Pricing Senior Task Force to better understand and control leakage. Further analysis of the economic and environmental consequences of leakage would be very helpful in understanding the implication of the regulations on the economy and for mitigating potential effects.

Additionally, further details on any DEP analysis of research, use, and deployment of carbon capture technology that could reduce emissions would be helpful in determining the full toolbox available in addressing climate change. Projects in this space are being conducted locally at the National Energy Technology Laboratory as well as globally via significant investments.

We agree with incorporating a Cost Containment Reserve (CCR) provision in the proposed regulations to guard against higher than projected emissions reduction costs. It appears from Section 145.382 that CCR additional allowances will only be sold if the auction trigger price exceeds \$14.88 in 2023 (and increasing in following years) and the demand for allowances exceeds the number available. Further details on how this trigger was chosen would be helpful to know.

By contrast, the Emissions Containment Reserve (ECR), under which allowances will be withheld if the trigger price falls below \$6.87 in 2023 (and increasing in following years), is intended to provide a relatively predictable stream of revenue for Pennsylvania. Further clarification regarding DEP's analysis as to the reason an artificial floor for auction purposes is necessary would be helpful.

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Thank you for considering our comments. We look forward to working with you and all stakeholders in this space as the process moves forward. We share your goal of adopting policies to address climate change. The RGGI regulations as currently drafted raise questions of near-term economic impacts that could be mitigated through more collaborative analysis and policy making. If you have any questions concerning our comments, please feel free to contact us.

-Submitted as Comments by the Greater Pittsburgh Chamber of Commerce, an Affiliate of the Allegheny Conference on Community Development