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TALEN ENERGY

600 Hamilton Street, Suite 600 • Allentown, PA 18101 • www.TalenEnergy.com

January 14, 2021

The Honorable Patrick McDonnell, Chairman
Environmental Quality Board
Rachel Carson State Office Building
400 Market Street
Harrisburg, PA 17101

Re: Proposed Rulemaking - CO2 Budget Trading Program (50 Pa.B. 6212) (November 7, 2020). Submitted electronically via https://www.ahs.dep.gov/eComment/

Talen Energy ("Talen" or the "Company") submits these comments to the Environmental Quality Board ("EQB") in support of the above-mentioned proposed rulemaking which seeks to limit emissions of CO2 from fossil fuel-fired electric generating units through joining the Regional Greenhouse Gas Initiative ("RGGI").

Talen Energy is an Independent Power Producer ("IPP") and is the largest owner of power generation facilities in the Commonwealth of Pennsylvania. Talen's in-state generation portfolio closely mirrors that of the state's overall energy portfolio. Talen owns a fuel-diverse portfolio which is comprised of coal, gas and oil-fired generation facilities that extend throughout Pennsylvania and into other RGGI states, as well as the Susquehanna nuclear plant in Luzerne County. Talen employs approximately 2,000 individuals within Pennsylvania. Importantly, the Company recently announced plans for a strategic transformation toward a sustainable energy future, including plans to develop multiple solar projects primarily located at or near existing and former Talen generation locations, as well as exploration into battery storage development projects.

Like Pennsylvania, Talen recognizes that the energy industry is at a turning point. The demand and need for clean energy is rapidly growing and renewable energy sources continue to increase in market share. While there are no perfect solutions for how to transition the Commonwealth's energy production portfolio, best meet the growing demand for clean energy, and manage the impact of the shift away from sources of carbon emissions, Talen believes that the Commonwealth's entry into RGGI, an established market-based approach to lowering carbon emissions, provides a mechanism that allows Pennsylvania to maintain its position as an energy exporter while meeting its carbon reduction goals, and without providing direct subsidies to any particular fuel source.

Is the proposed RGGI regulation perfect? Nothing is perfect, and there are still issues that will need to be addressed in the future, such as how to best mitigate leakage between states, which is a challenging issue that will take time to address and should be addressed through the market. There are also concerns expressed regarding the uncertainty around the use and distribution of RGGI proceeds generated by RGGI credits. Nonetheless, we believe that these issues can be resolved in the future, and entering into RGGI at this point is a step in the right direction. We should not let "the perfect" be the enemy of "the good". Talen encourages the state to move forward with entry into RGGI on the proposed timeline.

Both power and financial market conditions make it difficult for coal-fired generators to compete or obtain capital to invest, and RGGI can provide support for a meaningful transition.

As stated, Talen and Pennsylvania's energy portfolios both contain a similar mix of carbon emitting and clean generation sources. Talen's coal-fired plants, like many throughout the Commonwealth and the United States, have found it increasingly difficult to compete in today's market, which is flooded with low-cost natural gas. Additionally, as the financial market shifts as part of a greater focus on Environmental, Social and Governance, coal-fueled generators are finding it increasingly difficult to obtain access to the capital necessary to maintain operations. Driven by these challenges, Talen has established a "CLEAN" approach to help drive our transition:

> (C)onvert Coal, (L)evel the Playing Field for Nuclear, (E)mission reductions, (A)dvocate for affected Communities and Workers, and (N)ext Generation Grid Investment.

With this plan in place, Talen recently announced that it would phase out coal-fired generation at its wholly-owned coal-fired plants. Talen recognizes the impact this decision will have on the employees and communities connected with these plants and aims to convert these plants to run on alternate fuels as well as invest in renewable energy and battery storage technology projects within this footprint.

Through RGGI, Pennsylvania could help ease the hardship caused by the market-driven transition away from existing coal plants and support adversely impacted workers and communities at these facilities as they move away from coal-fired generation, while positioning Pennsylvania to remain an energy leader well into the future. Funds collected by the state from the auction of RGGI credits can provide a source of new and much needed funding, some of which during the early years of RGGI, could be allocated to support affected coal plant workers and communities with worker transition, gaps in tax base and incentivizing local economic development to replace the loss or conversion of these generation units.

Additionally, by putting a price on carbon, the state begins to level the playing field for clean energy resources, enabling them to better compete with existing and new fossil generation that currently are not financially accountable for their carbon production. RGGI also stands to benefit in-state nuclear plants, which face challenging economics, partially due to a lack of recognition and valuation of the clean energy attributes provided by these resources. While nuclear plants are not treated in a similarly-situated fashion as other carbon-free resources under the state's Alternative Energy Portfolio Standard Act, entering RGGI begins to level the playing field between carbon-emitting and non-carbon-emitting resources by recognizing and monetizing the value of carbon-free energy. This could help to preserve these carbon-free resources, which are key to Pennsylvania meeting its carbon reduction targets. Finally, RGGI funds can also be directed toward the development of new energy and grid technology that will further enable Pennsylvania to maintain its strong energy position into the future.

Implementing RGGI provides transparency to investors as they evaluate energy projects.

A cap and trade program such as RGGI establishes a future carbon limit that is transparent and known, allowing investors to make informed decisions about directing funding to appropriate existing and new resources that align with the state's desire to lower carbon emissions. Investments in new generation and technologies are long-term decisions; ensuring alignment of those investments with the Commonwealth's long-term objectives of lowering carbon emissions is critical to limit or avoid stranded investments in technologies which contribute to, rather than lower, carbon emissions. In short, the certainty provided by the RGGI program in this regard will allow the energy market to match the Commonwealth's requirements efficiently. Further, Talen believes that established carbon limits can also help spur development of new technology which can benefit the market and grid reliability. By signaling the intent of the state to lower carbon emissions in a binding but market-driven manner, technologies that may not be financially viable today may attract investment because they contribute to the known carbon reduction goals of the Commonwealth.

Using an established program minimizes challenges associated with new program development.

Utilizing an established regional cap and trade program allows Pennsylvania's resources to compete on a broader scale, increasing market efficiencies that come with RGGI's scale, which spans 10 states. It also allows the transition to a clean energy future to occur in a more efficient manner by eliminating the "growing pains" associated with new program development. Both of these factors stand to benefit Pennsylvania as it works to meet its clean energy goals and maintain its position in the energy industry.

RGGI will not hasten the demise of coal in Pennsylvania.

Pennsylvania has been blessed with abundant energy resources, from coal to natural gas to nuclear. Likewise, there are communities and workers throughout the Commonwealth that have benefitted from these resources for decades. Unfortunately, the energy markets continue to create challenging economics for many generators, including those with coal-fired facilities. This has been happening over the course of the last several years independent of RGGI. For example, Talen's Maryland coal plants, which have been operating under RGGI since its inception over a decade ago, only recently announced the intent to stop burning coal (at the same time Talen announced stopping coal burn at its Montour plant in Pennsylvania). The existence of RGGI in Maryland did not impact that decision. It hasn't been until recently that the plants in Maryland became more of a capacity resource, running only when market conditions dictated due to continuously low energy prices, primarily driven by the abundance of low-cost natural gas and declining energy demand. With or without RGGI, Pennsylvania coal plants will be challenged and face an uncertain future. With RGGI, however, funds are available to ease this transition and provide opportunities for the future without having to impact the taxpayer.

Conclusion: Pennsylvania should move forward with entry into RGGI.

Talen believes that the energy industry is on the cusp of transformation and Pennsylvania's entry into RGGI not only aligns with that transformation, it also can help facilitate the process in a thoughtful, responsible, market-based way while protecting workers and communities. Beyond establishing carbon emission limits, which can promote certainty and help guide critical market investment, the funds generated from the auction of RGGI credits can be used to ease this transition and reinvest in the state's clean energy efforts, from emerging technologies, to promoting energy efficiency, to furthering the environmental cleanup needs associated with past practices. The future of the energy industry is still being defined and Pennsylvania has the ability to influence that future and position the state's energy industry to thrive, however, it needs to move quickly to participate in this transformation and should not delay entry into RGGI. We welcome the opportunity to continue to confer with the Commonwealth as this critical process moves forward.

Thank you,

Debra L. Raggio
Senior Vice President Regulatory and External Affairs Counsel