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Submitted Electronically

The Honorable Patrick McDonnell, Secretary  
Department of Environmental Protection  
Policy Office, Rachel Carson State Office Building  
Post Office Box 2063  
Harrisburg, PA 17105

## **RE: CO<sub>2</sub> Budget Trading Program**

Dear Secretary McDonnell and Members of the Environmental Quality Board,

The Pennsylvania/Delaware Chapter of the Nature Conservancy (TNC) respectfully submits the following comments regarding the establishment of a Carbon Dioxide Emissions Budget Trading Program to limit the emissions of carbon dioxide (CO<sub>2</sub>) from fossil fuel-fired electric generating units (EGU) located in Pennsylvania.

The Nature Conservancy works in Pennsylvania and around the world to conserve the lands and waters on which all life depends. Guided by science, we pursue innovative, on-the-ground solutions to our world's toughest challenges so that nature and people can thrive together. We are engaged in scientific research, and we are innovating new tools and approaches to address the most important environmental challenges: tackling climate change, protecting land and water, providing food and water sustainably and building healthy cities.

Pennsylvania is the fourth-largest carbon dioxide emitter among states, with more than a third of those emissions coming from our electricity sector. As such, it is of considerable importance that the Commonwealth pursue meaningful policies to reduce these emissions in order to protect public health, the environment, and the economy.

TNC supports the promulgation of the rulemaking that would establish a CO<sub>2</sub> Budget Trading Program and we support aligning that program with the Regional Greenhouse Gas Initiative (RGGI) to achieve least cost compliance while reaping the benefits of RGGI proceeds for Pennsylvania. RGGI has proven to be an important tool for participating states, cutting harmful emissions while stimulating investments in clean energy and energy efficiency for homeowners, businesses and local governments, as well as the potential to support conservation efforts.

**Impacted Communities:** We encourage the Department to continue engagement and consultation with communities that have been impacted by long-standing environmental pollution. The Department should seek to incorporate provisions designed to protect the residents of such communities in Pennsylvania. The recommendations conveyed to the Department by the Environmental Justice Advisory Board (EJAB) should serve as a cornerstone of engagement regarding program goals and outcomes.<sup>1</sup> This dialogue may also be helpful in identifying proceed allocation targets that direct cap-and-trade induced resources for the benefit of these communities and constituencies.

We call the Department's attention to several models for inclusive engagement and implementation of environmental justice community-focused programming or complementary policy that has directly benefited from investment of cap-and-trade proceeds in other states. These examples may be helpful for the Department to review in consultation with representatives from environmental justice communities in Pennsylvania.

Potential models for engagement and examples of programs developed to achieve equitable outcomes:

- New Jersey RGGI Strategic Funding Plan: This Plan reflects public input that was collected in the fall of 2019. The final strategic funding plan set priorities and objectives for the spending of RGGI funds. <https://nj.gov/rggi/docs/rggi-strategic-funding-plan.pdf>
- Massachusetts Transportation Climate Initiative Community Engagement Report and Process Description: This engagement program focused on equity and investment opportunity for potential Transportation Climate Initiative (TCI) proceeds. <https://www.mass.gov/doc/report-summer-fall-2019-massachusetts-tci-community-engagement-workshops/download>
- California Assembly Bill 1550: This legislation updated and set a minimum threshold for proceed investment to go to "Disadvantaged Communities" from California's cap and trade program.<sup>2</sup> Assembly Bill 1550 modified prior investment minimums to require at least 25 percent of funds go to projects benefitting disadvantaged communities and at least an additional 10 percent for low-income households or communities.
- California Transformative Climate Communities: The Transformative Climate Communities Program (TCC) was established by California Assembly Bill 2722 and "funds community-led development and infrastructure projects that achieve major environmental, health and economic benefits in California's most disadvantaged communities." The program framework was informed by stakeholder engagement from across California, specifically those communities designated as disadvantaged.

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<sup>1</sup> Environmental Justice Advisory Board, RGGI Letter to Secretary McDonnell; [http://files.dep.state.pa.us/PublicParticipation/Office%20of%20Environmental%20Advocacy/EnvAdvocacyPortalFiles/2020/Letter\\_to\\_Secretary\\_McDonnell-RGGI.PDF](http://files.dep.state.pa.us/PublicParticipation/Office%20of%20Environmental%20Advocacy/EnvAdvocacyPortalFiles/2020/Letter_to_Secretary_McDonnell-RGGI.PDF)

<sup>2</sup> California Climate Investments to Benefit Disadvantaged Communities; <https://calepa.ca.gov/envjustice/ghginvest/>

Outcomes, co-benefits, and other indicators are monitored based on the health, environmental and economic goals of the funded project.

<https://sgc.ca.gov/programs/tcc/vision/>

We recognize that the Department is also seeking comment on potential approaches that would assist the transition of workers and communities in a just and equitable manner as the Commonwealth, nation, and world economy continue on a path to cleaner electricity generation. As the Department is aware, this is a vast and multifaceted topic, and it is difficult to envision a one-sized-fits-all approach for impacted communities and constituencies. We support the Department's efforts to address this important need, and we encourage the Department to continue and deepen engagement with key labor constituencies – who originally coined the term “just transition”—as well as leaders from communities most impacted by the economic transition away from traditional fossil fuels.

The Nature Conservancy is working in the Central Appalachian region to encourage the use of formerly mined lands for the purposes of hosting renewable energy.<sup>3</sup> We believe this activity, if complemented by additional stakeholder-informed economic development actions, can offer benefits to communities in economic transition. The approach may be useful to explore in Pennsylvania.

**Benefits of Natural Climate Solutions:** We encourage the Department to consider the climate benefit of allocating a portion of future RGGI proceeds to improved forest management, reforestation, and avoided forest conversion activities that result in greater sequestration of carbon within Pennsylvania. Our extensive study of global climate mitigation needs shows that the world must deploy natural climate solutions as part of a robust suite of measures to prevent the worst impacts of climate change.<sup>4</sup> As an example, the Nature4Climate State-Level Natural Climate Solutions Mapper shows that even modest investments in reforestation can yield significant annual carbon reductions in Pennsylvania.<sup>5</sup> The Nature Conservancy stands ready to provide input and expertise in the exploration of the benefit of Natural Climate Solutions, the needed level of investment, and types of activities that are appropriate to achieve carbon sequestration benefits in Pennsylvania.

**Clean Energy Finance:** We encourage the department to consider the formation of a clean energy financing advisory group to inform how RGGI proceeds can be allocated for clean energy and energy efficiency financing. Pennsylvania has extensive expertise among stakeholders serving various utility-region clean energy funds and regional Community Development Finance Institutions (CDFIs). The Pennsylvania Treasury has enjoyed a track-record of success in offering enhanced financing through various iterations of the Keystone HELP and the Pennsylvania Sustainable Energy Finance (PennSEF) program. The Pennsylvania Energy Development Authority (PEDA) also ranks well among programs with a legacy of experience in

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<sup>3</sup>A Roadmap for Solar on Mine Lands in West Virginia; PPT briefing:

<https://www.nature.org/content/dam/tnc/nature/en/documents/WV-roadmap-solar-on-minelands.pdf>

<sup>4</sup> Natural Climate Solutions, Fargione, J. E. et al.: <https://www.pnas.org/content/114/44/11645>

<sup>5</sup> Nature4Climate US State Carbon Mapper: <https://nature4climate.org/u-s-carbon-mapper/>

clean energy and efficiency finance and Philadelphia’s Energy Development Authority (PEA) has emerged as a leader among city-focused organizations charged with deploying clean energy financing. Finally, renewable energy and energy efficiency industry stakeholders should be engaged to inform potential goals for new finance programs. Combined, these stakeholders and instructive experiences may inform a strategy to allocate RGGI proceeds for the added benefit of leveraging private investment while providing a clean energy market driver through financing.

In 2017, the Nature Conservancy in Pennsylvania, in partnership with the Coalition for Green Capital, released two reports that outlined the extensive clean energy market potential that may be partially unlocked via appropriate clean energy finance in Pennsylvania.<sup>6</sup> These reports recommended the creation of financing products that offer enhanced features over-and-above those currently available in the financing market—i.e. lower interest rates, longer repayment terms with an emphasis on productization of loan offerings. Dedicated entities, often called “Green Banks”, have been established across the country to provide financing products with these enhanced qualities. Multiple states that participate in RGGI allocate proceeds or otherwise sponsor Green Bank entities to offer enhanced clean energy and efficiency financing.<sup>7</sup> In some cases, those financing products have been developed to target specific demographics or constituencies for the purpose of increasing access to clean energy or efficiency. For example, the Connecticut Green Bank has a low-to-moderate income (LMI) solar with efficiency loan program.<sup>8</sup>

The experience of these Green Bank entities and similar programs suggests that leveraging RGGI proceeds into financing may be a prudent strategy to improve renewable energy and efficiency market conditions and increase access to the benefits of these markets for Pennsylvanians. The Connecticut Green Bank has consistently tracked the economic impact of its own program offerings which are primarily supported with RGGI proceeds. In 2020 their impact was assessed to have provided 23,000 direct, indirect, and induced job years since inception in 2011. Investment activities have leveraged RGGI proceeds to attract private capital, leveraging as much as \$8 of private capital for every \$1 of public investment.<sup>9</sup> Given the opportunity to emulate such success, the Department should take advantage of the deep finance expertise already present within the Commonwealth to inform potential program investments or creation.

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<sup>6</sup> Pennsylvania Clean Energy Market Report: <https://www.nature.org/content/dam/tnc/nature/en/documents/pa-clean-energy-market-report-1.pdf>  
Pennsylvania Energy Investment Partnership Report: <https://www.nature.org/content/dam/tnc/nature/en/documents/energy-investment-partnership-report-2.pdf>

<sup>7</sup> New York Green Bank: <https://greenbank.ny.gov/>; Connecticut Green Bank: <https://www.ctgreenbank.com/>; Rhode Island Infrastructure Bank: <https://www.riib.org/>; DC Green Bank: <https://dcbank.org/>; Maryland Clean Energy Center: <https://www.mdcleanenergy.org/>; Energize Delaware Solar Loan: <https://www.energizedelaware.org/residential/residential-solar-loans/>; Energize Delaware Low Interest Commercial Loan: <https://www.energizedelaware.org/nonresidential/business/low-interest-commercial-loan>

<sup>8</sup> Connecticut Green Bank, Solar for All: <https://www.ctgreenbank.com/solarforall/>

<sup>9</sup> Connecticut Green Bank Accomplishments Report: <https://www.ctgreenbank.com/wp-content/uploads/2020/10/FY12-FY20-CGB-Impact-web.pdf>

**Working with PJM:** In 2017 PJM released a white paper reviewing carbon market frameworks.<sup>10</sup> Since the introduction of that paper, we are aware that representatives from the Pennsylvania Department of Environmental Protection and the Public Utility Commission have participated in a Carbon Pricing Senior Task Force, convened by PJM. We encourage continued engagement with the PJM Carbon Pricing Senior Task Force and further advancement of programs and policies with the potential to strengthen the effectiveness of Pennsylvania's participation in RGGI.

Thank you for the opportunity to submit these comments. Please contact me if you have any questions or require additional information.

Thank you,

Evan R. Endres  
Climate and Energy Policy Manager, Pennsylvania  
The Nature Conservancy in Pennsylvania and Delaware

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<sup>10</sup>Advancing Zero Emissions Objectives through PJM's Energy Markets: A Review of Carbon-Pricing Frameworks  
<https://www.pjm.com/~media/library/reports-notice/special-reports/20170502-advancing-zero-emission-objectives-through-pjms-energy-markets.ashx>