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Dec 16 2020
Independent Regulatory Review Commission

CLEAN AIR COUNCIL

Testimony on Proposed Rulemaking: CO2 Budget Trading Program
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Environmental Quality Board
Virtual Public Hearing
Tuesday, December 8, 2020 (afternoon)

Clean Air Council joins others in strongly supporting this proposed rulemaking. We look forward to Pennsylvania participation in the Regional Greenhouse Gas Initiative (RGGI) beginning in January 2022. Pennsylvania is a globally significant polluter, and it is therefore imperative that we do our fair share to reduce our greenhouse gas emissions to avoid catastrophic levels of climate change. This is fundamentally necessary policy that happens to be overwhelmingly popular, too.

So let's be clear, this CO2 Budget Trading Program represents a truly significant step. We are looking at a net reduction of 188 million tons of carbon emissions from the electric power sector by 2030. Those cumulative emission reductions are critical given that CO2 persists in the atmosphere for decades and has compounding impacts. While this program is applicable only to the power sector, which is responsible for only about one-third of Pennsylvania's greenhouse gas pollution, this sector is key to the process of deep decarbonization, as it is both the most cost-effective to decarbonize and a means through which to decarbonize other sectors.

But clearly, the benefits to Pennsylvania from RGGI participation go far beyond the significant reductions of climate-disrupting pollution. $6.3 billion in monetized health benefits by the end of the decade and a projected net increase of over 27,000 jobs. Electricity prices will lower as increased renewable energy generation, the cheapest new source of energy, comes online. Electric bills can be further reduced by investments in energy efficiency that reduce consumption. That means lower electricity prices without compromising Pennsylvania's status as a major electricity exporter.

This program will also generate hundreds of millions of dollars annually. The most recent quarterly RGGI auction held last week saw a clearing price of $7.41 per allowance (each allowance is equivalent to one ton of carbon pollution). Prices fluctuate, but using that as an example and taking into account the waste coal set-aside and the Emissions Containment Reserve (ECR) trigger price, that would lead to over $500 million in proceeds generated in the program's first year. These funds must be reinvested in a manner that further reduces air pollution, but must also maximize the health, economic development, and other co-benefits of such reductions to advance environmental, economic, and racial justice. For communities already transitioning from the extraction economy - an inevitable transition - these funds can be used to offer a path forward. The state legislature's approach - the status quo - has been to simply do nothing for these communities and families.

One model to consider would be Virginia, which will participate in RGGI beginning next month. Virginia has chosen to address important equity concerns by allocating half of the state's RGGI auction proceeds to energy efficiency upgrades for low-income Virginians and 45% to flood mitigation with a set-aside for disadvantaged communities. This is one approach, and Pennsylvania will have the flexibility to tailor its reinvestment of auction proceeds for the benefit of all Pennsylvanians under state law.

I will briefly mention some policy recommendations we believe would strengthen this proposed rule: (1) we urge DEP to provide a mechanism to adjust the starting allowance budget if actual emissions are lower than currently projected. It can be challenging to accurately predict future emissions, and a cap that is set too high will affect the integrity of the program; (2) we acknowledge the problems posed by abandoned coal refuse piles but do not support the waste coal set-aside. At minimum, we recommend amending the definition of legacy emissions, which determines the number of free allowances provided in the set-aside. This account should be no larger than is necessary to cover actual emissions. Since 2018, four waste coal plants have retired. These plants should be removed from the calculation of legacy emissions as they will not exist in 2022; and (3) we strongly support the strategic use set-aside account included in the proposed rule and will offer further recommendations to improve this provision, including ensuring this set-aside account survives independently of the waste coal set-aside.

The Council will offer additional details on these recommendations, along with supporting references, in our comprehensive written technical comments. Thank you for your time and for considering our testimony.