

RGGI Working Group Memorandum

September 29, 2023

Background

Governor Shapiro established the Regional Greenhouse Gas Initiative (RGGI) Working Group in April of 2023 and charged its members with evaluating the merits of Pennsylvania's membership in RGGI in the context of the Governor's "three-part test":

1. Protect and create energy jobs;
2. Take real action to address climate change; and
3. Ensure reliable, affordable power for consumers in the long-term.

Any proposed alternatives to RGGI considered by the group would also need to be evaluated against the three-part test.

Chaired by Jackson Morris of the Natural Resources Defense Council (NRDC) and Mike Dunleavy of the International Brotherhood of Electrical Workers Local 5 in Pittsburgh, the group reflected the diversity of opinion of the commonwealth, with members drawn from organized labor, the energy industry (i.e., fuel production, electric utilities, fossil fuel and nuclear generation), environmental groups, and representatives of consumers. The group met nine times as a full body between April 11th and July 11th with additional subgroups meeting informally to discuss particular topics.

There was consensus among members of the Working Group that 1) reducing greenhouse gas emissions in the Commonwealth is both necessary and inevitable; and that 2) a cap-and-invest carbon regulation for the power sector that generates revenue to support the Commonwealth's energy transition would be the optimal approach for the Commonwealth to meet the Governor's charge to benefit the environment by reducing emissions. However, there was not consensus on the preferred specific form of cap-and-invest (i.e. RGGI vs. PJM-wide). All members also acknowledge that it would take significant time to pursue such a PJM-wide construct, and that the adoption of such an approach is far from certain. Members agree that any cap-and-invest program should include policy levers and investment strategies which help avoid any potential emissions leakage, higher localized pollution, increased energy costs, and job loss.

The working group reached consensus on the following recommendations:

Guiding Principles

- Maximize and leverage the job creation and other benefits of federal funding from the IRA and IJJA.
- Initiate and maintain a dialogue with neighboring, non-RGGI states (West Virginia, Ohio, etc.) across PJM to gain awareness of plans and direction those states are headed for compliance with upcoming federal carbon regulations for power plants (111d), in order to collaborate where possible and to share best practices in the areas of emissions, affordability and jobs.

- Legislative codification is the preferred method of institutionalizing the various elements outlined below, though there are alternative administrative pathways for many of them.

Governance

- **Establish a RGGI Advisory Council:** If the courts deem it lawful to participate in RGGI, and/or if the program is otherwise adopted by the General Assembly, in order to advance the environmental, affordability and job objectives in a balanced manner as the state invests its RGGI revenues, the state should establish a RGGI Advisory Council. More specifically, this council would be charged with ensuring that investments of RGGI proceeds are optimally invested and would also be tasked with overseeing annual evaluation, monitoring, and verification of investments to assess the efficacy of various investment approaches and make necessary adjustments. The Advisory Council should consist of equitable representation from diverse constituencies, including labor, environmental organizations, consumer representatives, environmental justice groups, low-income advocates, electric utilities, electricity generators and fuel producers, and the business community.
- **Establish a State Energy Policy Collaborative:** Regardless of the outcome of the RGGI litigation, this Collaborative would be much broader, as well as separate and apart, from the RGGI Advisory Council. Consisting of broad representation from affected stakeholders in the state, it would provide input to a statewide energy plan to inform statewide energy policy adoption and implementation. The efforts of this collaborative could include the exploration of an integrated resource planning type approach, with an emphasis on reliability, affordability, and emissions reductions.
- The RGGI Advisory Council and the State Energy Policy Collaborative should coordinate to some degree, including but not limited to the consideration of Policy Collaborative proposals by the RGGI Advisory Council when making its RGGI investment recommendations.

Environment

1. If the courts deem it lawful to participate in RGGI, and/or if the program is otherwise adopted by the General Assembly, continue to participate in RGGI, and utilize the program to satisfy the state's requirements under proposed federal Clean Air Act GHG emission reduction standards. (Note: as mentioned above, some members of the working group still oppose the implementation of RGGI, but are open to a PJM-wide cap-and-invest approach to reduce CO₂ emissions from the power sector).
2. Convene a bipartisan process that includes legislators to evaluate the recommendations of the State Energy Policy Collaborative and develop a statewide energy and climate plan that addresses jobs, reliability, consumer protection, and tangible emissions reductions.
3. Initiate outreach to other PJM states to craft or reach consensus on a regional carbon trading and energy program, but only for purposes of compliance with federal power sector carbon

regulations.

4. Implement the energy and climate plan and seek a PJM-wide cap-and-invest program through legislation, to the extent practicable.
5. Ensure the preservation of existing nuclear generation and other clean energy resources in the Commonwealth.

The participants at the table would request that Gov. Shapiro should implement recommendations 2-5 even if the Pennsylvania courts determine DEP can no longer continue to participate in RGGI. **The same holds true for the Jobs and Consumer policies outlined below.**

Jobs

6. Retain Pennsylvania's status as the nation's number one exporter of electricity and protect existing energy jobs, while pursuing legislative and gubernatorial support for additional state investment in PA's energy and environment infrastructure in a way that supports current and new projects that reduce GHG emissions, solutions and technologies with tax credits, grant money, legislation to clarify underground carbon storage rights, and/or other mechanisms necessary to attract private investment, including but not limited to:
 - 6.1. Pursue essential energy and capacity market reforms with PJM and FERC to ensure grid reliability, the overall viability and decarbonization of the Commonwealth's power plant fleet, and to prevent any loss of jobs to other states;
 - 6.2. Identify next best uses of legacy coal and natural gas fired stations such as SMR development and construction, geothermal, storage, natural gas with carbon capture, manufacturing, etc. (for example, consider [DCEDs playbooks project](#));
 - 6.3. Carbon capture utilization and storage technology, development and deployment at existing facilities/sites;
 - 6.4. Low-GHG (including blue with sufficient rates of CCS) hydrogen production, consumption (conversion by carbon intensive industries), and electric generation project development;
 - 6.5. Scale up solar projects in the state—with a particular emphasis on rooftop solar on schools and warehouses across PA and explore community solar policies; and
 - 6.6. Aggressive methane well capping and capture projects in PA beyond what is contemplated by recent federal funding. Establish a training program to ensure workers are local and plugging is done to fully mitigate emissions.
7. Wherever possible, set prevailing wage requirements for projects funded with revenues from any cap-and-invest program or other energy programs investing public funds. Preferably these prevailing wage requirements are enacted through legislation, but alternatively executive order.
8. Frontline power plant communities in counties that have existing coal power stations receive a targeted share of cap-and-invest proceeds for clean energy job creation and transition.

Consumers

9. The Commonwealth should ensure that its energy consumers do not unreasonably or disproportionately shoulder the cost and potential reliability burdens associated with the clean energy transition; this is especially essential as it relates to low-income residents of the Commonwealth and the most vulnerable populations. At the same time, consumers in environmental justice communities should not continue to face disproportionate economic and environmental burdens associated with high local emissions (although not exclusively attributable to electric generation) or the solutions advanced to address those high emissions. The following legislative and regulatory solutions form the building blocks to mitigate the impact to consumers, and achieve these twin goals:

9.1. Legislative measures:

- 9.1.1. Pursue rate relief through the offset or elimination of the gross receipt tax on electricity;
- 9.1.2. Authorize an annual state appropriation for the Low-Income Home Energy Assistance Program adequate to provide year-round assistance; and
- 9.1.3. Improve consumer protections through reforms to utility billing, collections, and terminations.

9.2. Regulatory measures:

- 9.2.1. If the courts deem it lawful to participate in RGGI, and/or if otherwise adopted by the General Assembly, invest proceeds from the sale of carbon allowances (or other energy programs investing public funds) into targeted energy efficiency and renewable energy programs to reach higher usage customers, particularly low-income consumers across the state and consumers located in environmental justice areas from all customer classes (residential, commercial, and industrial). Programs supported through the sale of carbon allowances must be used to supplement (not supplant) existing programs.
- 9.2.2. Strengthen electric and gas assistance (i.e. universal service) program requirements to ensure that comprehensive bill assistance is available to low-income households through expanded eligibility and streamlined enrollment processes.