Testimony of Mark Szybist
House Democratic Policy Committee
Harrisburg, March 21, 2016

Chairman Vitali, Honorable Members of the Committee: good morning, and thank you for the invitation to testify today on the question of natural gas incentives in Pennsylvania.

My name is Mark Szybist; I am an attorney by training, and I work as a Senior Program Advocate for the Natural Resources Defense Council. NRDC is a national environmental organization with more than 90,000 members and online activists in Pennsylvania, and offices in New York, Washington, D.C., Chicago, Santa Monica, San Francisco, Montana, and Beijing. I am based in NRDC's Washington, D.C. office, but my work focuses on Pennsylvania environmental issues, especially implementation of the Clean Power Plan.

The question of today's hearing is whether Pennsylvania should incentive natural gas. My testimony will address this question as it applies to the Clean Power Plan, the federal initiative to reduce carbon pollution from power plants. In terms of the Clean Power Plan, I would state the question as follows: whether the Commonwealth should incentivize new natural gas power plants by exempting those plants from its State Plan implementing the Clean Power Plan. My answer to this question is: no. Pennsylvania should not incentive new gas plants. Instead, it should cover those plants in its State Plan.

The Clean Power Plan is an example of a kind of lawmaking that lawyers call cooperative federalism, in which the federal government and state governments work together to address problems that are too complex for either to address alone. In the case of the Clean Power Plan, the EPA has established a series of carbon pollution reduction targets for the states. These targets will be phased in over time, and the states have an extraordinary range of tools to meet them – expanding consumer-side energy efficiency in homes, factories, and government buildings; generating more electricity from zero-emitting sources like the wind and the sun; utilizing the full capacity of existing but underutilized natural gas plants; burning coal more efficiently at coal plants; and so on.

Several coal companies and other parties, including 27 states, have sued the EPA over the Clean Power Plan. (Sixteen other states, and many generators, business groups, and environmental organizations, have also intervened on the side of the EPA; Pennsylvania is one of three states that is not participating in the lawsuit). The opponents' claims will be decided by the federal Court of Appeals for the District of Columbia after oral arguments in June. Meanwhile, last month the U.S. Supreme Court issued a "stay" order that prohibits the EPA from enforcing the Clean Power Plan until the litigation is over. During the stay, states can continue working on their state plans, and Governor Wolf's administration has wisely committed to doing so. As DEP Secretary Quigley pointed out to the House Appropriations Committee a couple weeks ago, continuing work on the State Plan is the prudent course for Pennsylvania. On the one hand, given the way that cheap, oversupplied natural gas and other factors are transforming its power sector, Pennsylvania needs to do this work anyway. On the other hand, failing to plan would leave the state flat-footed if the Clean Power Plan is ultimately upheld – and NRDC is confident that it will be.

For the purposes of the Clean Power Plan, a new gas power plant is a plant that started construction after January 8, 2014. One of the decisions that states have to make in implementing the Clean Power Plan is whether to include new plants in their State Plans – and thereby make them compete against existing plants on an equal footing – or to leave them out

and thereby give them a competitive advantage. Inclusion and exclusion are both options for states because existing power plants and new power plants are covered under two different sections of the Clean Air Act.

If Pennsylvania's State Plan covers new power plants, all fossil-fuel plants of 25 megawatts (MW) or more will be covered by a reasonable, growth-based cap on carbon pollution. This cap will not only cut carbon pollution; it will also cut emissions of harmful co-pollutants like sulfur dioxides and particulate matter; incentivize the use of energy efficiency to lower both emissions and electricity bills; and allow Pennsylvania's economy to prosper. Based on comments that generators and other stakeholders made during the DEP's listening sessions on the Clean Power Plan last fall, the Commonwealth is likely to choose is a mass-based compliance approach in which power plants have to buy carbon "allowances" to cover their pollution. In practical terms, covering new as well as existing power plants would mean that *all* coal and gas power plants have to buy allowances to cover the carbon pollution they emit, and all are subject to the growth-based cap. If this sounds like common sense, it is. It will ensure a level playing field for existing plants and new plants, and ensure that pollution reductions from existing plants are not compromised by huge pollution increases from new plants.

By contrast, if Pennsylvania leaves new gas power plants out of the state plan, so that only plants built before 2014 would have to stay under the cap and buy carbon allowances, it would create an incentive for new power plants. New plants could operate without carbon pollution limits and carbon pricing, and this would give them a built-in, competitive advantage over existing plants. In this kind of distorted market, we would likely see the premature closure of existing gas plants and the unnecessary construction of new plants, with the construction costs passed on to electricity ratepayers. We would see pollution "leak" to new plants from the existing plants that are covered by the state cap. The new plants would have to be supplied by new pipelines, and the extra gas they burned would be produced by more hydraulic fracturing. A greater number of coal plants would probably retire.

Right now, there are at least five new natural gas power plants in the Commonwealth that are either under construction or recently finished construction – in Jessup, Lackawanna County (1,500 MW); Shamokin Dam, Snyder County (1,224 MW); Clinton Township, Lycoming County (825 MW); Asylum Township, Bradford County (825 MW); and Salem Township, Luzerne County (1,029 MW). The combined planned capacity for these plants is more than 5,000 MW. In addition, Talen Energy has announced that it will convert its Brunner Island coal-fired power plant to fire gas as well as coal. Other new gas plants have been proposed in Clinton County and Lawrence County.

What the construction of these new power plants tells us is that Pennsylvania does not need incentives for new natural gas power plants. Those plants are being built because Pennsylvania is sitting on top of the most productive shale gas formations in the United States, natural gas is oversupplied and cheap (not to mention already heavily incentivized, on both the federal and the state level), and neither of these things will change any time soon. What Pennsylvania ought to incentivize is energy efficiency, our lowest-cost energy resource (for instance, by improving its building codes and removing the arbitrary limits on efficiency in Act 129) and zero-emitting renewable energy from the wind and the sun. Because of the potential health benefits, job benefits, and electricity bill benefits – as well as climate impacts – expanding clean energy now makes sense for the Commonwealth with or without the Clean Power Plan, and will help Pennsylvania meet its carbon reduction targets when the time comes to do so.