

March 9, 2016

Honorable Arthur Handy, Chairman
Rhode Island General Assembly
House Committee on Environment and Natural Resources
82 Smith Street, Room 203
Providence, RI 02903

Re: House Bill 7325—An Act Relating to Health and Safety—Energize Rhode Island: Clean Energy Investment and Carbon Pricing Act of 2016

Dear Chairman Handy and Members of the Committee:

The New England Power Generators Association, Inc. (NEPGA) appreciates the opportunity to provide information to the House Committee on Environment and Natural Resources regarding House Bill 7325. NEPGA is the trade association comprised of competitive electric generating companies in New England.¹ NEPGA's member companies represent approximately 25,000 megawatts (MW) of generating capacity throughout New England, and more than 1,375 MW of generation in Rhode Island, or 76 percent of the electric generating capacity in the Rhode Island. NEPGA's mission is to support competitive wholesale electricity markets in New England.

NEPGA's Rhode Island companies provide power for consumers from a portfolio of plants. Overall, these companies pay over \$9 million annually in state and local taxes, while providing approximately 80 well-paying and skilled Rhode Island jobs. NEPGA members are good corporate neighbors, contributing to the civic and charitable endeavors of their host communities, donating more than one hundred thousand dollars annually to charitable causes throughout the State.

NEPGA's Position: House Bill 7325 is Redundant in Light of RGGI

NEPGA commends the Committee for its commitment to the important issue of reducing carbon emissions within Rhode Island. NEPGA takes no position on this bill, but wishes to raise with the Committee its concerns with regard to the implementation of the proposed new tax under House Bill 7325. This tax would increase the costs for production of electricity and would be reflected in market prices leading to higher electricity bills for consumers. The tax is duplicative and unnecessary.

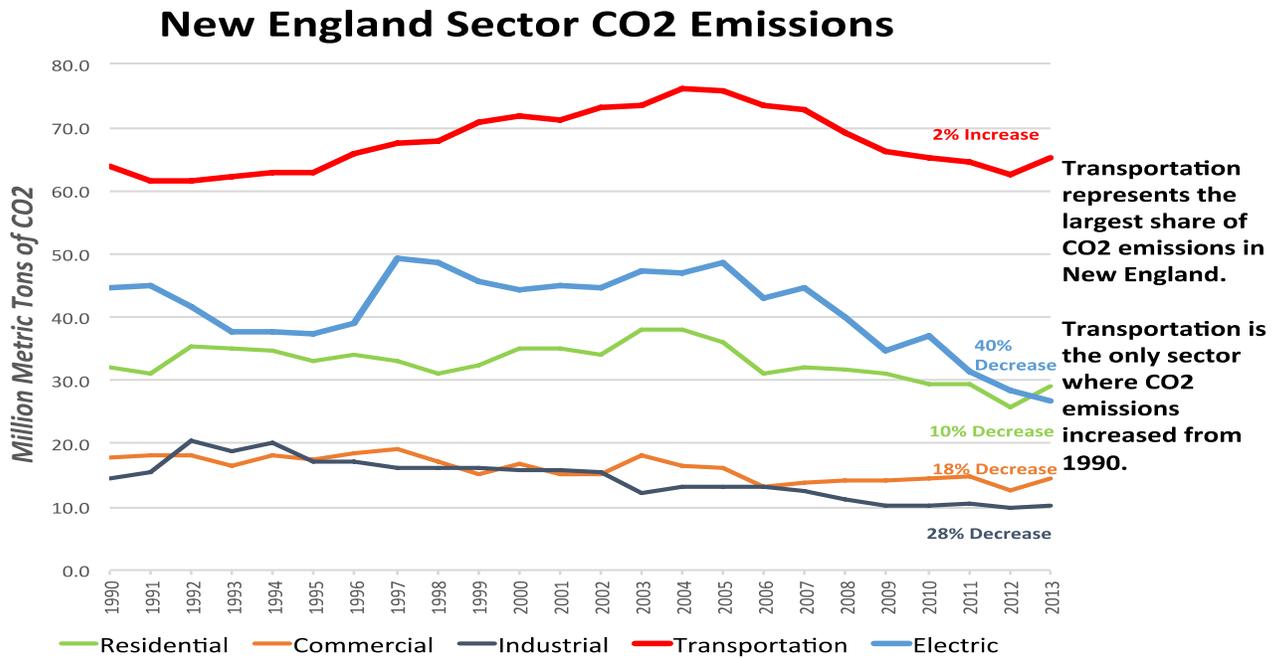
As the Committee may be aware, facilities generating electricity in Rhode Island and the

¹ The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

other New England states using a carbon-based fuel participate in the Regional Greenhouse Gas Initiative (RGGI). Participation in RGGI, however, is limited exclusively to the electricity sector. Although the legislation recognizes this by allowing for a credit for a company's RGGI payments, it unfairly adds an additional tax on that sector. RGGI's impact on energy savings, program rebates and emissions cannot be understated: RGGI has already resulted in at least \$395 million in energy bill savings, and is on track to return more than \$2.9 billion through the lifetime of the program, all while simultaneously reducing carbon emissions by 10.3 million short tons.²

In part, driven by programs like RGGI, New England has already seen significant reductions to its carbon emissions. According to recent data released by the U.S. Energy Information Agency (EIA), the New England electricity sector has reduced carbon emissions 40 percent between 1990 and 2013. Over the same timeframe, however, transportation – the sector with the highest source of emissions – has actually seen its emissions increase. As it moves forward with its consideration of the bill, NEPGA strongly encourages the Committee to exempt sectors of the economy that have a carbon reduction program already in place, such as RGGI for electricity.

While RGGI is a well-recognized program to meet carbon emission reductions in the electricity sector in the most cost-effective manner, no similar regime exists for other sectors. Transportation is the largest source of carbon emission representing 47 percent of such emissions in New England, more than twice that from power plants. It is also the only sector of the economy that has seen carbon emissions increase across New England since the 1990 baseline.



Source: U.S. Energy Information Administration, www.eia.gov/environment/emissions/state, October 26, 2015

² <http://rggi.org/docs/ProceedsReport/Proceeds-Through-2013-FactSheet.pdf>

NEPGA applauds Rhode Island for recognizing the need to focus on other sectors through mechanisms such as the recently-announced Transportation and Climate Initiative (TCI),³ which provide opportunities for regional collaboration in a market-based manner. NEPGA does not take a position on TCI or any other such program, but it would like to underscore the need for this type of focus on the largest sources of emissions that do not already have carbon reduction policies in place. NEPGA appreciates the intent of House Bill 7325 to, for the first time, put in place comprehensive carbon reduction policies across the economy. More attention must be paid to those sectors that don't have mechanisms in place and NEPGA commends the Committee for focusing attention on this critical topic. Moreover, while we believe the focus should be outside the electricity sector, there are more effective market-based policies that can achieve additional low-carbon objectives from the electricity sector.

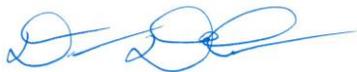
Conclusion

Rhode Island should be proud of its leadership on environmental emissions, but also recognize the costs, challenges and consequences of well-meaning public policies. The electricity sector has been participating for over a decade in a well-functioning regional market for carbon emissions and that progress should be allowed to continue. Additional taxes on the generation sector are not needed.

NEPGA very much appreciates the recognition from House Bill 7325 to look economy-wide on emissions policy. This is particularly so when it appears that non-electricity sectors of the economy covered may not have received the attention necessary to do their fair share in reducing emissions. We urge the Committee to modify House Bill 7325 to eliminate the tax on the electricity sector, recognizing the dramatic reductions that have already been made in CO2 emissions under RGGI.

NEPGA appreciates the opportunity to offer these comments on House Bill 7325. Please do not hesitate to contact me with any questions.

Sincerely,



Dan Dolan
President

³ <http://www.transportationandclimate.org/five-northeast-states-and-dc-announce-they-will-work-together-develop-potential-market-based>