NEPGA
NEW ENGLAND POWER
GENERATORS ASSOCIATION, INC.

33 Broad St, 7th Floor, Boston, MA 02109
(t) 617-902-2354 (f) 617-902-2349
www.nepga.org

NEPGA Testimony on Raised Bill 7247
Establishing a Carbon Price for Fossil Fuels Sold in Connecticut

The New England Power Generators Association, Inc. (NEPGA) appreciates the opportunity to provide information to the Committee on Environment regarding Raised Bill 7247. NEPGA is the trade association comprised of competitive electric generating companies in New England.[1]

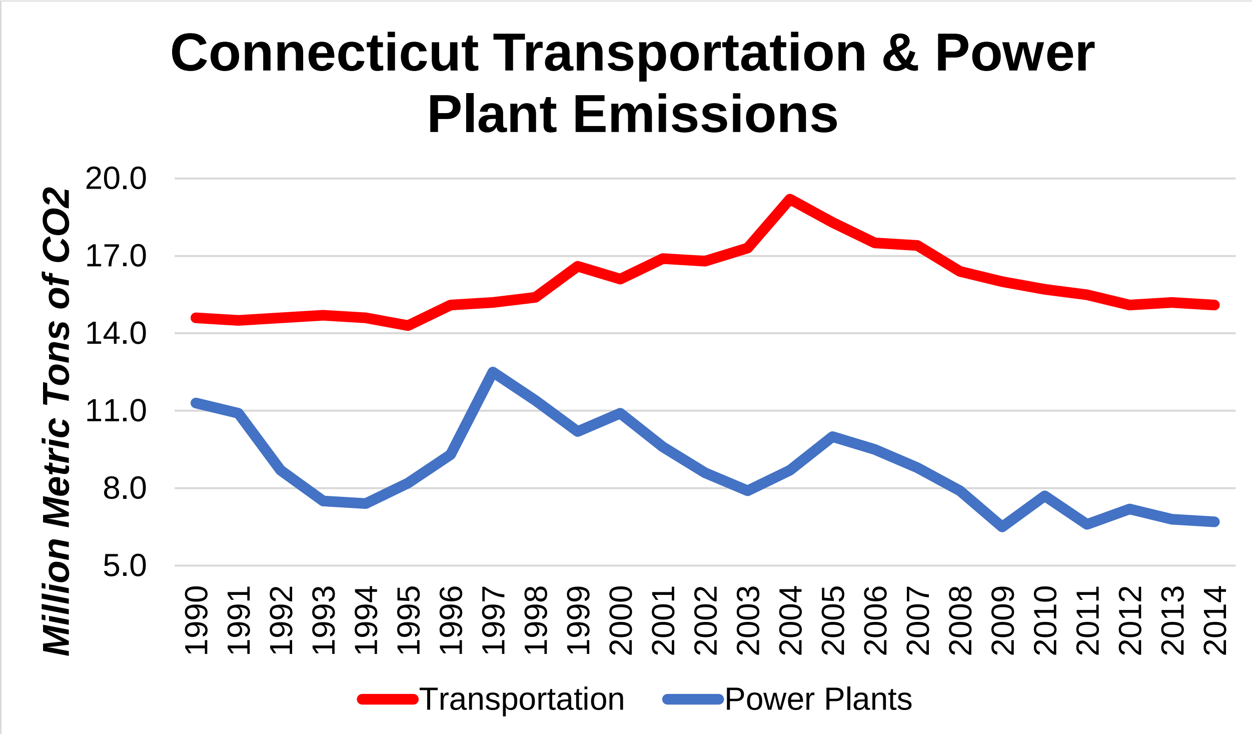
NEPGA's member companies represent approximately 25,000 megawatts (MW) of generating capacity throughout New England, and nearly 7,000 MW of generation in Connecticut providing over 1,700 well-paying, highly skilled jobs in the state. NEPGA's Connecticut companies provide power for consumers from a portfolio of plants. Overall, these companies pay over $100 million annually in state and local taxes. NEPGA's mission is to support competitive wholesale electricity markets in New England.

Power Generators Reducing Emissions
As members of the Committee may be aware, facilities generating electricity in Connecticut and the 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. Since RGGI has been in place, the member states have achieved at least $395 million in energy bill savings and carbon emissions 10.3 million short tons lower than at the start of RGGI. RGGI allowance auctions are on track to return more than $2.9 billion in state revenues through the lifetime of the program.[2]

New England has already seen significant reductions to its carbon emissions over the past two decades, with generators responding to wholesale competitive markets, new technologies and low-cost natural gas, as well as the RGGI program. This has been further supported by efficiency gains following the restructuring of the state electricity industry. Since 1999, the efficiency (measured in heat rate) for power plants in New England improved by 22%. Meaning that the electricity output that used to take four plants to produce, today takes only three. According to recent data released by the U.S. Energy Information Agency (EIA), Connecticut's electricity sector has reduced carbon emissions 41% between 1990 and 2014 helping to drive economy-wide emissions down 14%. Over the same timeframe, however, transportation – the sector with the highest source of emissions – has actually seen its emissions increase by more than 3%.[3]

---

[1] The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.
[2] http://rggi.org/docs/ProceedsReport/Proceeds-Through-2013-FactSheet.pdf
[3] http://www.eia.gov/environment/emissions/state/, released November 3, 2016



The reductions in emissions from power plants have driven a 14% decrease in Connecticut's economy-wide emissions. Because of this dramatic reduction at the power plants, transportation now represents twice the emissions of any other sector. In fact, transportation makes up more than 50% of all CO2 emissions in Connecticut.

NEPGA applauds Connecticut for recognizing the need to focus on sectors like transportation and buildings through mechanisms such as those contemplated in this bill as well as the recently-announced Transportation and Climate Initiative (TCI),[4] 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 would 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 Raised Bill 7247 to, for the first time, put in place a comprehensive carbon valuation policy 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.

A New England-Wide Approach is A Better Way to Lower Emissions

New England's electricity system is a region-wide market, which means that policies in one state necessarily impact all the others, and the region's economy is extensively integrated from one state to the next. For example, ISO New England, the regional electricity market operator, recently conducted an analysis of a regulation proposed by the Massachusetts Department of Environmental Protection, intended to reduce

[4] http://www.transportationandclimate.org/five-northeast-states-and-dc-announce-they-will-worktogether-develop-potential-market-based

regional emissions of carbon, showing that if Massachusetts plants were compelled to run less to comply with the proposed regulations, emissions would actually increase region-wide by 34,000 to 136,000 tons of CO_2 per year.[5]

While there is a clear laudable intention in the legislation to focus on economy-wide emissions addressed on a regional basis, one element in particular raises great concern for power generators. As currently drafted, it appears that the bill would call for the taxation of fossil fuels sold to power generators in Connecticut, as well as on the electricity sales of those facilities to Connecticut consumers. This would be a double tax on Connecticut power plants, which serve as some of the largest employers and contributors to state and local taxes. Such a redundant tax would put Connecticut plants at a competitive disadvantage to similar facilities in other states and is unnecessary.

NEPGA's testimony highlights the interstate nature of energy because of the challenges that therefore exist in developing a single-state approach that will actually lead to the goal of lower emissions. In light of this, the electricity sector is in ongoing discussions among various stakeholders and the states considering proposals for further alignment between the regional electricity market and state policy proposals through the NEPOOL Integrating Markets and Public Policy (IMAPP) initiative.[6] A broad-based carbon value, such as the overall concept proposed in Raised Bill 7247, could dovetail with other proposed mechanisms in the IMAPP process.

Conclusion

NEPGA appreciates the opportunity to comment on Raised Bill 7247 and the intention behind the bill to look economywide on emissions policy. NEPGA urges the Committee and the state to recognize the dramatic reductions that have already been made in CO_2 emissions and to avoid the patchwork approach to this critical issue in an inherently regional electricity marketplace.

[6] http://nepool.com/IMAPP.php