COMMENTS OF NRG ENERGY, INC.
BEFORE THE CONNECTICUT GENERAL ASSEMBLY
ENVIRONMENT COMMITTEE
March 14, 2018

Good afternoon. My name is Dan Hendrick. I am Director of External Affairs for NRG Energy, Inc. ("NRG"). Thank you for the opportunity to offer NRG's perspective on House Bill 5363, *An Act Establishing a Carbon Price for Fossil Fuels Sold in Connecticut.*

NRG supports market-based approaches to reducing carbon, such as HB 5363. With a number of important changes, and in conjunction with reforms to wholesale energy markets, this legislation can help target the root cause of climate change.

NRG is one of the leading integrated power companies in the United States, served by 30,000 MW of generation capacity and more than 3 million retail customers. In Connecticut, NRG operates twenty-eight generating resources with a total summer peak capability of approximately 1,900 MW, 925 MW of which is dual-fuel capable. NRG also owns a 1.4 MW fuel cell project at the University of Bridgeport, which underscores our company's support for clean-energy resources and technologies critical to Connecticut's transition to a more sustainable future.

NRG's science-based goals of reducing carbon emissions 50 percent by 2030 and 90 percent by 2050 are some of the industry's most aggressive, placing our company at the forefront of sustainability efforts across the country. In our view, climate change is an economic, social and environmental challenge that requires urgent action. NRG's efforts to combat climate change are aligned with our vision to create a sustainable energy future by safely providing reliable, cleaner power that enhances people's lives and delivers value to our stakeholders.

Today's hearing comes at a critical juncture for Connecticut's energy future. Earlier this year, the Governor's Council on Climate Change voted unanimously to recommend a greenhouse gas emissions reduction target of 45 percent below 2001 levels by the year 2030. The GC3's analysis demonstrated the need for a faster transition to a clean energy economy in order achieve the state's mandated goal of an 80 percent emissions reduction by 2050. The question for policy makers is how to meet these goals in a sophisticated way that manages costs, and harnesses the power of the private sector and technological innovation, while keeping a laser focus on carbon – regardless of how or where it is produced?

HB 5363 is a well-crafted response to this question.

First, its scope is economy-wide. According to data released by the U.S. Energy Information Agency (EIA), Connecticut's electricity sector reduced carbon emissions 41% between 1990 and 2014. Over the same timeframe, however, *transportation* – the sector with the highest source of emissions – has actually seen its emissions *increase* by more than 3%. Transportation now represents twice the emissions of any other sector, making up more than 50% of all CO2 emissions in Connecticut. This bill's applicability to all sectors is a major step forward, so we can finally tackle emissions from transportation, buildings and elsewhere.

Second, HB 5363 is not centered on any single resource or technology. Unlike a zero-carbon procurement for nuclear, wind or solar resources, this bill's focus on the carbon intensity puts all resources on a level playing field. It does not pick winners or losers, and instead focuses on results. NRG supports the non-discriminatory valuation of environmental attributes, and HB 5363 moves significantly in that direction, by valuing carbon whether the carbon originates from an electric generation plant, a building or a tailpipe. A non-discriminatory strategy is also more likely to withstand legal challenge, since it is directly aimed at carbon and not at stopping the retirement of uneconomic technologies.

Third, HB 5363 correctly requires a substantial geographic and economic scope by moving ahead only if Massachusetts and Rhode Island adopt similar statutes. Of course, a national strategy would be the ideal way to address carbon emissions. But the regional approach in HB 5363 can make meaningful reductions, too. The three-state threshold of this bill reaches approximately 80 percent of the electricity load in ISO-NE. Contrast this approach with a state-led zero-carbon procurement, which would burden only Connecticut ratepayers with the extra costs of an RFP that includes nuclear power.

Fourth, NRG appreciates the legislation's consideration of costs associated with the Regional Greenhouse Gas Initiative to avoid double taxation. Any system that prices attributes must take proper account of those sectors that already have made significant reductions – and should make sure those sectors are not penalized when a new system is established and new reductions and pricing goals are set.

There are a number of changes to the bill that NRG recommends, and we would welcome additional discussions with the committee to review and explain them:

- <u>Carbon pricing must be applied on net emissions</u>. Carbon science is all about a total budget, and it is very appropriate for generators to have flexibility to manage their net emissions portfolios in the most economical way possible. Although HB 5363 takes into account carbon sequestration, it does not consider carbon offsets. For example, if a generator can spend $25 to offset emissions instead of paying $40 to emit them, the generator should be able to make that decision, as long as the mechanism is verified. This would allow generators to spend the dollars on verified decarbonization efforts that have a clear line of sight to lower emissions overall.

- HB 5363 should take into account voluntary actions and make sure companies have sufficient funds for further decarbonization investment. NRG has engaged with our supply chain to reduce our carbon and water intensity by 25 percent by 2025. We report our impact and progress using leading disclosure frameworks and standards, and we advance resilience by assessing and planning for climate change impacts to our business. HB 5363 doesn't account for voluntary measures such as these, and the bill could leave some good corporate citizens with insufficient funds to continue making progress.
- Connecticut should support reforms to the wholesale electricity markets. ISO-NE's mission is to focus on cost-efficiency and system reliability, not carbon. Assigning a value to carbon attributes could be an effective tool to harness the power of competitive markets to drive change.
- Finally is the question of proceeds. If the goal of a carbon pricing regime is to reduce emissions, then it follows that the proceeds should be directed to make even broader and deeper emissions cuts than through the market signal alone. It isn't enough to punish bad behavior; to be successful, HB 5363 needs to reward good behavior, too. NRG recommends that proceeds be invested in back into energy infrastructure. That could include additional support for the Connecticut Green Bank to facilitate a community solar program, or expanding rebate programs for energy efficiency measures or building out electric vehicle infrastructure that will accelerate change in the most-polluting sector of Connecticut's economy.

NRG appreciates consideration of these comments and we hope they provide food for thought as the carbon pricing conversation continues. We thank members of the Environment Committee for the opportunity to express our views.

Respectfully submitted,

/s/ Dan Hendrick
Director of External Affairs
NRG Energy, Inc.
dan.hendrick@nrg.com
(917) 207-8715