



**Connecticut General Assembly
Energy and Technology Committee
Testimony on HB 5363, An Act Establishing a Carbon Price
for Fossil Fuels Sold in Connecticut**

The New England Power Generators Association (NEPGA)¹ appreciates the opportunity to provide testimony on HB 5363, *An Act Establishing a Carbon Price for Fossil Fuels Sold in Connecticut*. NEPGA applauds Connecticut's goal to address carbon reductions from all sectors of the economy. In light of the substantial reductions already made in the electricity sector, the existing regional carbon reduction program and the additional costs of carbon pricing to electricity consumers, NEPGA urges the Committee to amend the bill to exempt the electricity sector.

NEPGA is the trade association representing competitive electric generating companies in New England. NEPGA's member companies represent approximately 25,000 MW – or approximately 80% of all generating capacity throughout New England. In Connecticut, NEPGA member power plants provide over 7,300 MW, or 82% of all the generating capacity in the state. NEPGA companies also provide roughly 1,500 well-paying, highly skilled jobs to the state's workforce, pay over \$39 million in taxes to the state and its cities and towns and contribute millions of dollars in income taxes paid by employees.

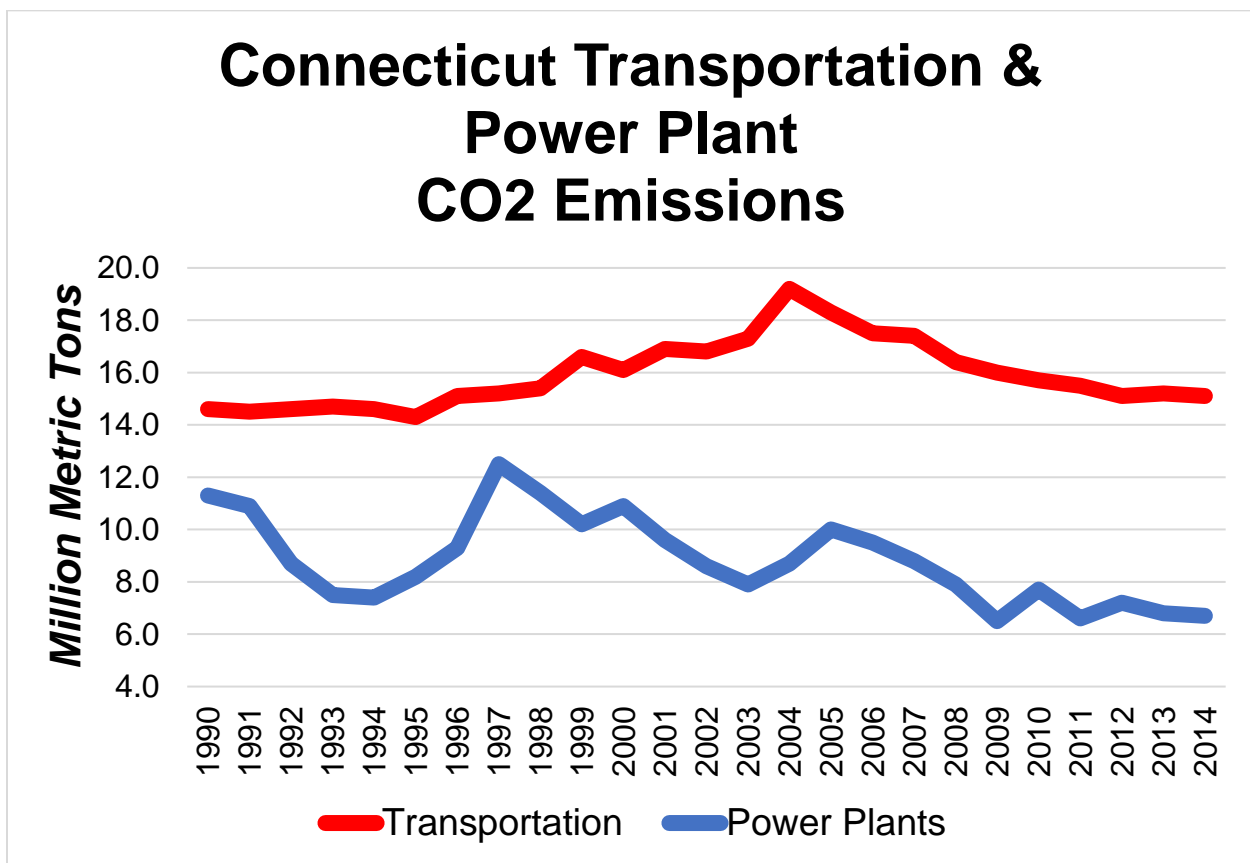
Power Generators Are Reducing Emissions in Connecticut

Today, facilities in Connecticut and the other New England states that generate electricity 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, the bill still adds an additional burden on that sector. RGGI's impact on energy savings, program rebates and emissions cannot be understated: RGGI has already resulted in more than \$154 million in annual energy bill savings and is on track to return more than \$2.3 billion through the lifetime of the program. Most importantly, investments in RGGI are projected to reduce carbon emissions by 5.3 million short tons

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

of CO₂ over the program's lifetime.² Recently, the nine RGGI states proposed an additional 30% reduction in the regional GHG emissions cap from 2020 to 2030.³

In addition to programs like RGGI, New England and Connecticut have already seen significant reductions in carbon emissions because of greater efficiencies following the restructuring of the state's electricity industry. Since 1999, the efficiency (measured in heat rate) for power plants in New England improved by 22%. This means 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), power plants in Connecticut have reduced carbon emissions by 41% between 1990 and 2014.⁴ Notably, CO₂ emissions from the transportation sector increased by 3% over the same period.



NEPGA appreciates the bill's aim to address GHG emissions from all sectors of the economy, but we believe it is important to focus those efforts on the largest sources of emissions, specifically transportation, that do not already have carbon reduction policies in place. Moreover, there are more effective market-based policies within the electricity

² https://rggi.org/sites/default/files/Uploads/Proceeds/RGGI_Proceeds_Report_2015.pdf

³ https://rggi.org/sites/default/files/Uploads/Press-Releases/2017_08_23_Announcement_Proposed_Program_Changes.pdf

⁴ <https://www.eia.gov/environment/emissions/state/>

sector, such as RGGI, that can achieve the additional low-carbon objectives sought under this legislation.

A Carbon Price on Electric Generation Would Increase Consumer Costs and Put Connecticut Power Plants at an Economic Disadvantage

NEPGA opposes application of HB 5363's carbon pricing provisions to the electricity sector. HB 5363 authorizes a carbon price of \$15 per ton of CO₂ to be levied against all fossil fuels sold in Connecticut for distribution and use in the state. While the bill purports to aim this fee on distributors and users of such fuels, the burden will ultimately fall on the electricity consumer.

An electric generator, like any manufacturer, incorporates all the costs of making a product into a final sales price. Simple economics dictate that if a generator's cost of production increases, the cost of its product increases and the ultimate cost to consumers will increase. This is particularly so in the case of carbon emissions, since facilities generating electricity by way of a carbon-based fuel already participate in RGGI, as explained above.

Due to the structure of the electric market in New England, the upward pressure this redundant carbon price would create would not just be felt by Connecticut's consumers but by the region's consumers as well. Although the bill also calls for a distribution of the funds collected in accordance with the framework established in the bill, those refunds will not likely result in a dollar-for-dollar refund equal to cost to consumers caused by this increased fee.

In addition, a state-specific price on carbon, as contemplated in HB 5363, will mean that Connecticut-based power plants will run less (because their production will be more expensive than other regional generators), yet electricity demand in the state must still be met. This means that plants outside of Connecticut, which wouldn't run as much if not for the Connecticut-specific carbon price or emissions limits, would have to increase production to make up for the shortfall. ISO New England, the region's grid operator, recently conducted an analysis of a Massachusetts emissions regulation imposes state-wide emissions limits on the state's power generators.⁵ That analysis showed that if Massachusetts' plants were compelled to run less to comply with the recent regulations, emissions would increase region-wide by 34,000 to 136,000 tons of CO₂ per year.⁶

NEPGA does not believe that the supporters of H 7827 intended to create a scenario that would increase emissions in New England in the name of reducing them in Connecticut. Instead, regional approaches, such as RGGI, should be the focus for the

⁵ 310 CMR 7.74, *Reducing CO₂ from Electricity Generating Facilities*

⁶ https://iso-ne.com/static-assets/documents/2017/02/iso_dep_comments_022017_submit.pdf

electricity sector, while also shifting attention to sectors – like transportation – that have not yet done their part.⁷

Finally by imposing this requirement on Connecticut power plants when other states in New England do not have this requirement puts these power plants – and their employees – at a competitive disadvantage. Just like the generator tax many years ago put Connecticut power plants at a competitive disadvantage since no other states in New England imposed this cost of doing business, HB 5363 would impose new costs of doing business that other states do not impose on their power plants, putting Connecticut plants again at a competitive disadvantage. The Connecticut General Assembly recognized this and did not extend the generator tax. Similarly, the General Assembly should recognize the competitive disadvantage contemplated for the state's power plants under HB 5363 and exempt the electric industry from this legislation.

Conclusion

NEPGA appreciates the opportunity to comment on HB 5363 and the bill's goal of reducing carbon emission on an economy-wide scale. However, NEPGA urges the Committee to recognize the electricity sector's contribution to CO₂ emissions reductions under RGGI and the region's competitive markets. We ask that the Committee amend the bill to exempt electric power production from the bill's carbon pricing provisions, thereby avoiding redundant mechanisms that increase consumer costs.

⁷ If the New England states are committed to pricing carbon in the power system by some method in addition to RGGI, the most efficient method for doing so would be by participating in programs that span the New England-wide electricity market, not by a patchwork of state-specific programs.