Testimony on Economic Impacts of RGGI
Joint Hearing of the Senate Environmental Resources and Energy Committee and Community, Economic and Recreational Development Committee
March 29, 2022
Submitted on behalf of the Ohio River Valley Institute

The Ohio River Valley Institute is a think tank based in Johnstown and founded to explore and develop viable and sustainable economic development strategies for greater Appalachia, including the states of Pennsylvania, Ohio, West Virginia, and Kentucky.

Thank you for the opportunity to provide written comments on the potential economic impacts of Pennsylvania joining the Regional Greenhouse Gas Initiative (RGGI). The RGGI system applies to carbon dioxide (CO2) emissions from electric power plants that generate 25 megawatts or more. RGGI began in January 2009, and since then, RGGI states have cut carbon pollution from their electric power plants by more than half, removed tons of dangerous pollutants from the air, invested more than $3 billion in RGGI generated funding into their state economies, and created tens of thousands of new jobs.

After examining the conditions under which Pennsylvania would join RGGI, assessing the effects RGGI has had to date in member states, and reviewing the Department of Environmental Protection study of the likely economic impacts, we have concluded that RGGI membership will result in three very beneficial outcomes in Pennsylvania:

- **Greenhouse gas emissions will be significantly reduced** as will other forms of pollution that harm Pennsylvanians' health and drive up healthcare costs and absenteeism.
- **Utility bills will be reduced** as less expensive renewable energy resources become more prevalent and gains in energy efficiency more than offset the small upward pressure that would be placed on rates.
- **Jobs and commerce will increase**, particularly in rural counties and non-metropolitan areas whose economies have struggled most in recent years.

The third of these – increases in jobs and commerce in towns and rural counties — is one of the most frequently overlooked and yet one of the most significant benefits associated with policy measures that, like RGGI, effectively take money that would otherwise be used to pay utility bills and, instead, invest it in energy efficiency and distributed generation.

This redirection of funds generates more jobs and commerce in local communities for three reasons. First, utilities are not very labor-intensive. Only about a quarter of every dollar we pay for electricity ends up going to jobs and wages. But, with energy efficiency and distributed energy – things like lighting and heating upgrades, insulation, and home solar — between forty and sixty cents of every dollar we spend goes to hiring and paying workers.

Second, whereas the money spent on utility bills leaves the economies of most towns and rural communities, most of the money spent on energy efficiency and distributed generation stays local. The HVAC contractors, remodelers, door and window companies, insulators, and solar installers who do energy efficiency upgrades and distributed generation, are usually local merchants who hire local people.

Finally, the jobs provided by these local contractors and merchants arise up and down the skills ladder, from entry level positions requiring few skills to, to skilled tradespeople, to highly compensated positions that require specialized training and education.

And the benefits don't end when energy efficiency and distributed generation upgrades are completed. The subsequent utility bill and energy savings continue for decades providing customers with more disposable income, most of which they will spend locally.

Usually when we look at economic impact studies, we just see numbers. But, for you as policymakers, the character of the jobs being created and where they occur are also important considerations. So, as you make the right choice for the planet and for the health of Pennsylvanians, please also consider that RGGI can be a vehicle for shared prosperity and economic development in our communities that need it most.

The national trend away from coal to natural gas, wind, solar and other less expensive sources for producing electricity has played out decisively in Pennsylvania. Coal powered electricity's share in Pennsylvania has fallen dramatically from 57% in 2001, to 47% in 2010, to 17% in 2019 and 16% in 2021. Coal-fired electricity is projected to fall to 4% by 2030 (with or without RGGI). This shift from coal is unlikely to change. A recent market study found the current "all-in cost" of generating electricity from coal "is more than double" the cost of solar and wind, and "nearly double" the cost of natural gas.

With Pennsylvania's coal plants facing an uncertain future, one topic that deserves more attention is the potential role that RGGI funds could play in economic development and workforce initiatives, particularly in those coal communities most impacted by plant closures and related job losses. Gov. Wolf has proposed that a significant portion of RGGI proceeds (estimated to be up to $300 million annually) be placed into a new *Energy Communities Trust Fund* targeting investments towards coal community economic and workforce development and assistance strategies.

Case studies of coal power plant closures in New York, Massachusetts, Colorado, and Washington demonstrate that no local community chooses voluntarily to go through the wrenching experience and economic distress caused by changes in the energy marketplace. These case studies make clear there are no quick and easy solutions when coal plants close, but suggest a roadmap for recovery. Successful long-term strategies require local business and government consensus building and planning, the leveraging of private sector and federal resources, and moving beyond merely plugging short-term funding holes towards long term

investment strategies that create jobs for displaced workers and grow new supply chain markets for small businesses.

While the case studies suggest that RGGI funding would not provide a panacea for Pennsylvania's coal plant communities and workers, they demonstrate how a RGGI funded *Energy Communities Trust Fund* could provide a uniquely valuable tool for workers and coal plant communities facing common problems associated with power plant closures. Although no one-size-fits-all solution emerges from the case studies, they do reveal some critical issues confronting retired coal plant communities and how RGGI funding could help address them:

Direct Services to Coal Plant Communities for Immediate Needs

Replacing Lost "PILOT" (Payments in Lieu of Taxes) or Local Tax Revenues – New York and Massachusetts both deployed tens of millions in RGGI funds to replace lost revenues. Replacing local tax revenues means saving local first responder jobs.

Reuse of Coal Plants to Create New Businesses and Good Jobs – New York and Massachusetts have deployed millions in RGGI funds and other state funds to prepare coal plant sites for reuse – for new businesses, energy production or other uses – based on local community strategies. Attracting new businesses to old coal plant sites means new jobs.

Project Development and Seed Funding – Coal community mitigation efforts require time for planning and money for new investments. The case studies show instances where RGGI funding played the lead role and others where private sector investments were dominant. Ideally, RGGI and private sector funds can be deployed together through a community and regional investment planning process. The case studies demonstrate the value of seed funding in producing blended state, federal and private sector investment strategies to create new jobs.

Job Training & Job Placement for Displaced Workers – Existing state and federal workforce development programs can be supplemented and enhanced with RGGI funding designed to create local opportunities for displaced coal plant workers. A critical factor is the ability to invest in and develop new local businesses that can hire coal workers at wages comparable to their former jobs.

Funding and Assistance to Develop Long Term Public/Private Strategies

Local Planning Approaches – The case studies vary in the reuse of coal plant sites (from recreational attractions to new gas-powered facilities) and economic development strategies adopted (from private sector funded grant programs to RGGI subsidized site redevelopment). Successful programs adopted locally developed investment strategies with RGGI funding combined with state resources supporting the planning process.

Local Coal Plant Community Investment Funds – A TransAlta/Centralia, Washington case study demonstrates that dramatically improved economic growth rates are achievable after a coal plant closure. This model deserves further analysis.

Pennsylvania is not the only state facing a transition away from coal powered electricity. The case studies referenced above (and included in a report, the full version of which is submitted as an attachment) and descriptions of the experiences of coal plant communities in RGGI states and non-RGGI states can help inform the best options to choose moving forward.

Additional information about these potential benefits are included in the attached reports.

Attachments:

1. The Regional Greenhouse Gas Initiative: A Common-Sense Guide to RGGI and What It Will Mean for Pennsylvania
2. Options and Opportunities for Coal Plant Communities Pennsylvania and the Regional Greenhouse Gas Initiative (RGGI)
3. Takeaways: An Energy Transition Looms in PA
4. Takeaways: RGGI Funds Could Help Finance PA's Coal Transition

TAKEAWAYS:

An Energy Transition Looms in PA

- **Market forces are driving down coal's share of electricity generation in the Commonwealth.**
  National trends away from coal to less expensive energy sources have decisively impacted PA, where coal-fired power plants' share of electricity generation fell from 57% in 2001 to 17%. in 2019.

- **Coal plant closures leave workers & communities struggling with job loss, site cleanups, and budget shortfalls.**
  PA currently has no state program in place to address the economic impacts of coal plant closures and conversions.

- **Coal-powered electricity will drop to 4% by 2030, with or without RGGI.**

Source: "Options and Opportunities for Coal Plant Communities: Pennsylvania & the Regional Greenhouse Gas Initiative (RGGI)"

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TAKEAWAYS:

RGGI Funds Could Help Finance PA's Coal Transition

- **A significant share of RGGI proceeds, which are expected to reach $300 million, could support investment & recovery strategies in coal plant communities.**

- **RGGI-funded initiatives have promising precedent.**
  Some RGGI states have allocated funding toward replacing lost revenues, workforce development and jobs placement, site cleanup, and investment planning strategies.

- **RGGI has a track record of job creation & pollution reduction.**
  RGGI states have cut carbon emissions from electric power plants in half, spurred billions in state revenue, and created tens of thousands of green jobs.

Source: "Options and Opportunities for Coal Plant Communities: Pennsylvania & the Regional Greenhouse Gas Initiative (RGGI)"

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