

Gov. Shapiro calls for Pennsylvania carbon cap and trade market, plus higher clean energy requirements

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Gov. Josh Shapiro unveiled his energy strategy on March 12, a two-pronged approach that would create a carbon cap and trade market in

Pennsylvania and boost the amount of clean energy delivered to electric utility consumers in the state.

Inside a union hall in Scranton, the Electric City, Shapiro was flanked by members of a workgroup he assembled to determine whether Pennsylvania should join the Regional Greenhouse Gas Initiative, a carbon cap and trade compact that has divided the general assembly and drawn fierce opposition from fossil fuel powerplant operators.

Shapiro's plan, which the governor said would be filed as legislation, involves establishing a Pennsylvania-specific carbon pollution cap and trade scheme for the electric power sector, with proceeds going towards utility ratepayer rebates and clean energy projects.

Unlike the Regional Greenhouse Gas Initiative, which sets a limit for [carbon emissions](#) across a 12-state area and makes powerplants buy pollution allowances, the Pennsylvania Climate Emissions Reduction Act (PACER) would constrain the market to the Keystone State and its several dozen large power producers.

"We will not take direction from anyone outside of this commonwealth," Shapiro vowed during his speech. "This initiative will be established by us, run by us.

"We will set our own cap, we will set our own price. We won't have any other state determining what is right for us in Pennsylvania."

The second prong of the effort is a long-awaited increase in the state's Alternative Energy Portfolio Standards, which today mandate that 18% of the electricity supplied to consumers here comes from renewable and alternative sources. That standard, adopted in 2004, was once innovative but has since been surpassed by many other states.

Shapiro's proposal would lift the requirement to 50% by the year 2035, with 35% coming from solar, wind, and new nuclear, 10% from sources like hydropower and natural gas with carbon capture, and 5% from other forms of gas and "traditional fuels."

The Gov.'s office said the joint plan would save utility ratepayers \$252 million in its first five years and projected it would create more than 14,500 jobs.

Reactions from environmental and [consumer groups](#) and labor heralded the proposed increase in [alternative energy](#) as meaningful and long overdue.

But the Pennsylvania cap and trade proposal elicited less enthusiasm elsewhere.

Carbon market

Shapiro, who in his gubernatorial campaign broke with his predecessor Tom Wolf and expressed skepticism about RGGI, said he was worried about its impact on energy jobs and consumer energy prices in Pennsylvania.

In April 2023, he convened a working group with members from labor, the power sector, oil and gas companies, coal and renewable energy firms, and consumer advocates, to determine how to proceed. The group released a report in September, saying that while they agreed that there's a need to reduce carbon emissions from the power sector, they could not come to a consensus about RGGI.

In the meantime, a flurry of legal challenges to Pennsylvania joining RGGI weaved their way through the courts. Plaintiffs argued that Wolf couldn't legally order the state to join the regional compact through

regulation and that only the general assembly could approve such a move. In November, the Pennsylvania Commonwealth Court agreed. Shapiro surprised some when he said his administration would appeal the decision, if only to protect the power of the executive branch.

On Wednesday, he promised that as soon as he signs the bills enacting his new energy plan, Shapiro would pull Pennsylvania out of RGGI.

Speakers that followed Shapiro's announcement on Wednesday stressed that it was the long, hard work of being in a room together with political opponents during the RGGI workgroup sessions that made them support the governor's effort.

"We have a starting point," said Rob Bair, president of the Pennsylvania Building Trades. "I may not agree with 100% of this plan" but doing nothing is not an option, he said.

Jackson Morris, director of state power sector policy, climate and energy at the Natural Resources Defense Council, said the same, stressing that the federal incentives from the Inflation Reduction Act and the Infrastructure Investment and Jobs Act could be used to pay for Pennsylvania's vision.

Nevertheless, Morris said his organization believes that participating in RGGI, along with an increased alternative energy standard, would be the best way accomplish the goals that the governor laid out.

"But we're also open and eager to explore alternative approaches," he added.

The Pennsylvania Coal Alliance had the opposite reaction.

"This plan clearly puts Pennsylvania and its businesses at a disadvantage

and would shutter the few remaining traditional coal-fired generation sources in Pennsylvania," the organization said in a statement.

Although during his speech Shapiro presented the Pennsylvania cap and trade idea as an outgrowth of the working group, the Pennsylvania Coal Alliance noted that a state-specific program was not a recommendation of that effort. Instead, its members weighed the pros and cons of joining RGGI versus a hypothetical carbon market for the 13 states involved in PJM Interconnection, the electric transmission grid that serves Pennsylvania and its neighbors.

"If this plan is implemented," the group argued, Ohio and West Virginia will be the winners to Pennsylvania's loser.

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