



# Industrial Energy Consumers of Pennsylvania

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March 27, 2020

Department of Environmental Protection  
Secretary Patrick McDonnell  
Rachel Carson State Office Building  
400 Market Street  
Harrisburg, PA 17101

Re. Draft Proposed Annex Subchapter E. CO<sub>2</sub> Budget Trading Program

Dear Secretary McDonnell,

On behalf of the Industrial Energy Consumers of Pennsylvania (IECPA) and its member companies representing over 25,000 employees statewide, we are writing today regarding the Draft Proposed Rulemaking Subchapter E. CO<sub>2</sub> Budget Trading Program. While we appreciate the exemption for generation units which supply manufacturing facilities and meet the requirements of section 145.305.(a), the impact to electricity prices and energy intensive manufacturing must be studied and the impacts fully understood. Cost control mechanisms and direct allocations that support energy intensive manufacturing must be considered.

For instance, Maine's RGGI program has a set aside of a certain amount of CO<sub>2</sub> offset allowances to serve as a buffer for CO<sub>2</sub> credit cost control:

"(2) Cost Containment Reserve (CCR) allocation. The Department shall allocate CO<sub>2</sub> CCR allowances, separate from and additional to the CO<sub>2</sub> Budget Trading Program base budget set forth in subsection 2(A) of this Chapter to the auction account. *The CCR allocation is for the purpose of containing the cost of CO<sub>2</sub> allowances.*"<sup>1</sup>

Examples of California customer protections:

### **Electrical Distribution Utility and Natural Gas Supplier Use of Allocated Allowance Value**

[https://ww3.arb.ca.gov/cc/capandtrade/allowanceallocation/edu-ng-allowance-value.htm?utm\\_medium=email&utm\\_source=govdelivery](https://ww3.arb.ca.gov/cc/capandtrade/allowanceallocation/edu-ng-allowance-value.htm?utm_medium=email&utm_source=govdelivery)

The Cap-and-Trade Regulation (Regulation) places limits on the use of allowances that the California Air Resources Board (CARB) allocates to electrical distribution utilities (EDU) and natural gas suppliers (NG suppliers). These requirements, which are in sections 95892 (EDUs) and 95893 (NG suppliers) of the Regulation, require that each EDU and NG supplier annually report to CARB on how its uses of allocated allowances met these requirements. The requirements focus on the value of allowances being "used for the primary benefit of retail [electricity or natural gas] ratepayers of each [EDU or NG supplier], consistent with the goals of AB 32" (sections 95892(d)(3) and 95893(d)(3) of the Regulation).

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<sup>1</sup> State Statutes & Regulations: <https://www.rggi.org/program-overview-and-design/state-regulations>

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Rod Williamson, Executive Director

[rwilliamson@clarkhill.com](mailto:rwilliamson@clarkhill.com)

910-444-8883



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Summary of 2013-2018 Electrical Distribution Utility Use of Allocated Allowance Value

<https://ww3.arb.ca.gov/cc/capandtrade/allowanceallocation/edu2013-2018useofvaluereport.pdf>

2013-2018 EDU Allocated Allowance Value Expenditure Data

[https://ww3.arb.ca.gov/cc/capandtrade/allowanceallocation/edu\\_uofavtables.xlsx](https://ww3.arb.ca.gov/cc/capandtrade/allowanceallocation/edu_uofavtables.xlsx)

## GHG Cap-and-Trade - CA Industry Assistance

<https://www.cpuc.ca.gov/industryassistance/>

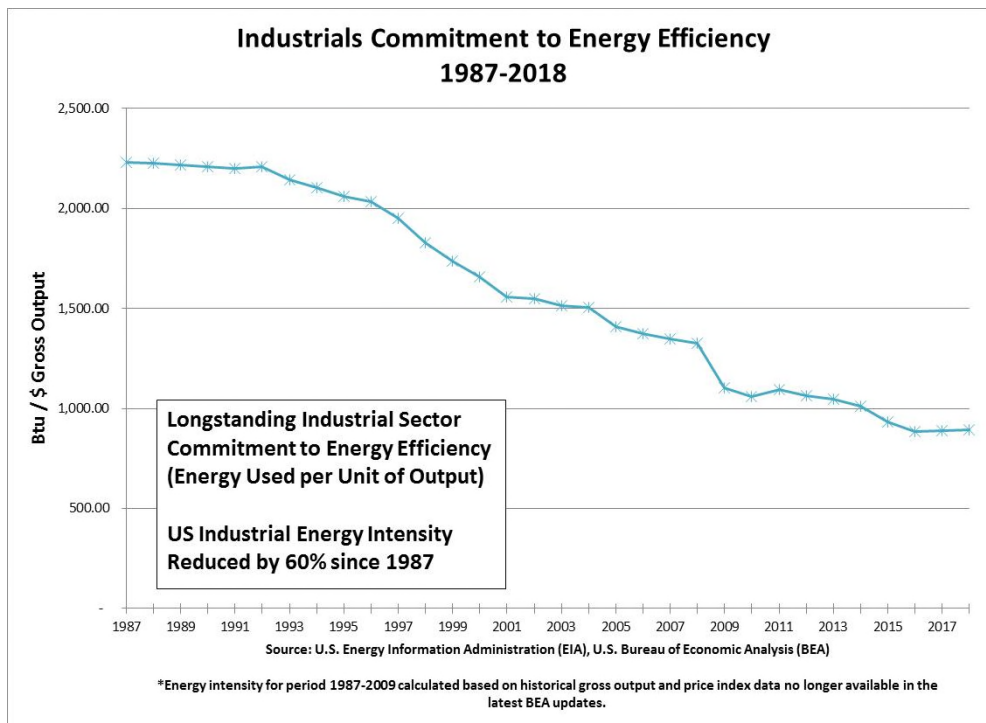
The CA Industry Assistance Credit is an annual credit for eligible industrial facilities that are customers of the investor-owned electric utilities. The CPUC created this credit program, calculates the credit amount, and oversees the utilities' distribution of the credits to their customers.

The credit is part of California's greenhouse gas reduction program. It is designed to reward businesses that have taken early action to reduce their energy use and greenhouse gas emissions, and to help prevent emissions increases.

The amount of the credit is determined by the CPUC for each facility using emissions-efficiency benchmarks that reward businesses and help provide an incentive to make products in California in the most energy-efficient way possible.

This credit is part of a State program - the money is from the State, not from the utility, even though the utilities deliver the credit on the State's behalf.

Industrial / manufacturing customers have already achieved significant reduction of their CO<sub>2</sub> emissions associated with energy usage through their commitment to energy efficiency and should not be penalized by increased electricity supply cost from a CO<sub>2</sub> trading program.



Data from the U.S. Energy Information Administration and U.S. Bureau of Economic Analysis presented in the chart here shows a steady 52% decrease in Industrial Manufacturing Energy Intensity going back to 1987. The behaviors exhibited by large industrial customers over this time are not a function of any federal or state energy efficiency program. Rather, the set of the behaviors that produced this data are simply what is required to survive in an increasingly competitive global market.

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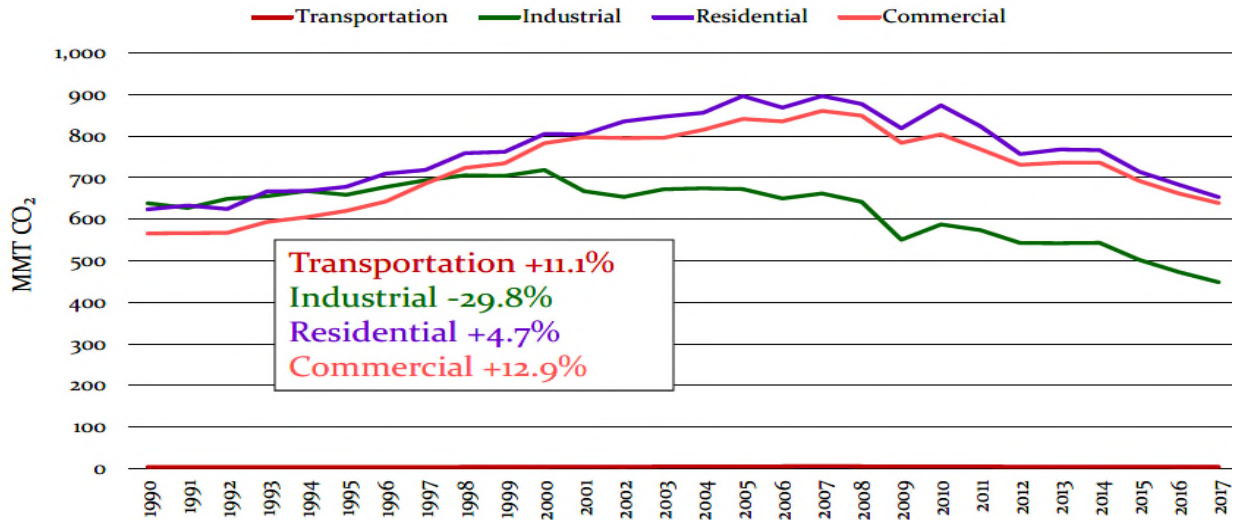
Rod Williamson, Executive Director

[rwilliamson@clarkhill.com](mailto:rwilliamson@clarkhill.com)

910-444-8883



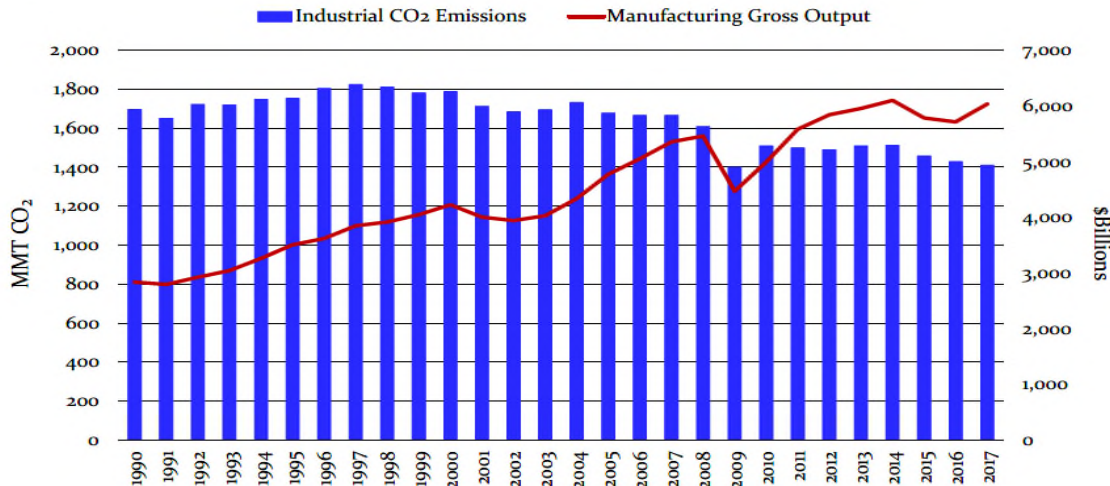
## CO<sub>2</sub> Indirect Emissions by Sector: Industrial sector emissions are 30% below 1990



Source: Total Energy, U.S. Energy Information Administration (EIA)



## Since 1990, Total Industrial Carbon Emissions Decreased 17%, while Manufacturing Gross Output went up 113%



Source: Total Energy, U.S. Energy Information Administration (EIA) and U.S. Bureau of Economic Analysis (BEA)



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## Industrial Energy Consumers of Pennsylvania

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We ask that you please consider adding additional provisions to protect energy intensive manufacturing. IECPA stands willing to be a resource for the DEP on these matters to provide the perspective of the energy-intensive manufacturing operations for consideration.

Sincerely,



Rod Williamson

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Rod Williamson, Executive Director

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