THE PA CLIMATE EMISSIONS REDUCTION PROGRAM (PACER)

The PA Climate Emissions Reduction Program, or PACER, is a PA-specific cap-and-invest program that sets a cap on carbon pollution from power plants. It requires power plants to pay for the pollution they emit (without passing that cost on to consumers) and invests the proceeds directly in lowering consumers' electricity bills, reducing air pollution through energy efficiency, and job-creating clean energy projects. Under PACER, Pennsylvania determines its own cap on carbon pollution, giving the Commonwealth control over its own energy future.

PACER builds on the recommendations of the Governor's Regional Greenhouse Gas Initiative (RGGI) Working Group, made up of representatives of labor, the energy industry, environmental groups, and consumer advocates.

HOW PACER WORKS

Under PACER, Pennsylvania sets a limit on the carbon dioxide (CO2) pollution emitted from power plants. Certain power plants must acquire allowances based on the number of tons of CO2 they emit. These purchases are made at regular auctions.

The proceeds of those auctions go into funds operated that states, to be invested in the following ways:

- 70% of the proceeds (which reflects the share of the proceeds expected to come from Pennsylvania electricity customers) will be returned directly to electricity consumers, including those in rural areas, as an across-the-board, on-bill rebate by the Public Utility Commission (PUC). This ensures that the cost paid by the utilities is not passed on to the consumers, so consumers will not pay more.
- 30% of the proceeds (which reflects the share expected to come from out-of-state consumers purchasing electricity from Pennsylvania power plants) will support energy efficiency projects that reduce air pollution in Pennsylvania, fund new job-creating clean energy projects, and help low-income consumers reduce their energy bills through a year-round LIHEAP program. Of that project funding, 40 percent will be dedicated to directly benefiting communities disproportionately harmed by pollution in the past.

WHAT PACER WILL MEAN FOR PENNSYLVANIA

PACER is designed to work together with the governor's proposed Pennsylvania Reliable Energy Sustainability Standard (PRESS). PACER and PRESS is projected to:

- Save consumers an estimated $252 million on their electricity bills; in the longer term, independent modeling projects that electricity bills can be cut by $329 per household or about $18 annually, on average.
- Create a cumulative total of 278,000 job-years by 2040 (an average of nearly 17,500 new jobs every year).

- Increase federal clean energy investments coming to Pennsylvania to $5.7 billion by 2032, 50% more than if the Shapiro strategy is not enacted.
- Cut harmful carbon pollution from power plants by 30 million tons annually throughout the 2030s.
- Significantly strengthen Pennsylvania's position as the number one exporter of electricity in the country.

WHAT PACER MEANS FOR PA'S PARTICIPATION IN THE REGIONAL GREENHOUSE GAS INITIATIVE (RGGI)

PACER has some of the elements of RGGI, the successful multistate cap-and-invest program, though it would be a Pennsylvania-specific program not affiliated with other states.

RGGI has been held up by the state Commonwealth Court, pending an appeal before the Pennsylvania Supreme Court. If the Supreme Court upholds Pennsylvania's participation in RGGI, the program will be implemented then. If PACER is enacted, it would replace RGGI in Pennsylvania.

The plan for investing the PACER proceeds differs in some ways from legislative proposals for RGGI investments. For example, the RGGI Investments Act would direct:

37.5% to an Energy Communities Trust Fund to provide direct support to dislocated workers and communities experiencing impacts from the closure of existing power plants and the loss of jobs and investment.

12.5% to an Environmental Justice Communities Trust Fund to make investments in Environmental Justice communities across the commonwealth that are disproportionately at risk from climate impacts.

46% to the Clean Air Fund divided as follows:

- 56% to support investments in clean and renewable energy investments, including biomass, geothermal, hydropower, energy storage, and solar and wind technologies, as well as energy efficiency, carbon capture utilization and storage, abandoned oil and gas well plugging, transportation, climate-smart farming practices, forest stewardship, and
- 44% for employers in Pennsylvania's industrial and commercial sector to help reduce their greenhouse gas emissions through investments in process electrification, fuel switching, combined heat and power, demand response and reduction, energy efficiency, and carbon capture utilization and storage.

While RGGI remains the best approach to (1) protect and create energy jobs; (2) take real action to address climate change; and (3) ensure reliable, affordable power for consumers in the long term, PACER is a strong alternative step toward achieving those goals. <u>Doing nothing is not an option</u>. It is time for those in the legislature who continually create obstacles to RGGI and other measures to come to the table to help put an effective solution in place.