

Testimony on “The Impacts of EPA’s proposed Carbon Regulations on Energy Costs for American Businesses, Rural Communities and Families, and a Legislative Hearing on S. 1324.”

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Good morning. My name is Joseph Martens and I am the Commissioner of the New York State Department of Environmental Conservation. I am also Vice-Chair of the Board of Directors of RGGI Inc., which administers the Regional Greenhouse Gas Initiative (RGGI), a program of nine northeastern states that uses market principles to reduce greenhouse gas emissions from the power sector. Although I am testifying today on behalf of New York, I will also relate the collective experience of the RGGI states.

I appreciate the opportunity to testify today about the benefits of programs to reduce the greenhouse gas emissions that contribute to climate change, with a particular focus on how families and businesses in New York have benefitted from RGGI and complementary clean energy programs. Simply put, the experience of New York and the other RGGI states over the last seven years clearly establishes that a state can grow its economy while reducing harmful carbon emissions. As I will explain, participation in RGGI is helping to improve energy efficiency and reduce costs for our residents and businesses and create jobs in New York and across the RGGI region. In addition, strategies to reduce harmful power plant emissions provide ample public health benefits that reduce the cost of medical care for our residents. The structure of the proposed federal Clean Power Plan provides flexibility to other states to design their own pathways to reduce carbon pollution and reap similar economic, social and environmental benefits.

The RGGI effort, similar to EPA’s Clean Power Plan proposal, recognizes that carbon emissions are not limited to political boundaries or jurisdictions. Individual state and regional efforts like RGGI must be supported by a strong and equitable federal plan that ensures that all states contribute to achieving the reductions needed to address climate change.

My key takeaways include:

- The states participating in RGGI have shown that it is possible to achieve cost-effective pollution reductions while reducing energy costs to our families and businesses and growing our economy.
- Although the participating states set a goal of reducing carbon emissions 10% by 2018, we have reduced emissions 40%, while growing our states' economies.
- Energy efficiency and other projects funded by RGGI auction proceeds to date will provide \$2.9 billion in lifetime energy bill savings for 3.7 million households and 17,800 businesses.
- Electricity rates for industrial customers in New York have declined from 50% above the national average before RGGI to 13% below the national average in 2014 after RGGI.
- Overall, 2500 businesses across the state – most of which are small businesses -- have benefitted directly from the investment of RGGI auction proceeds and the program is providing over \$60 million in funding for advanced clean energy projects to more than 80 businesses across the state, enabling them to better compete in the global economy.
- New York's energy efficiency programs supported by RGGI proceeds have resulted in over 80 million dollars in energy bill savings to 100,000 low and moderate income families. Overall, 21% of the total electricity savings across the RGGI portfolio are directed to environmental justice areas.
- Recent storms have demonstrated the cost of a changing climate on low-income families that are the least able to bear the resulting costs of recovery.
- A multi-state market-based program can yield the most cost-effective carbon emission reductions.

We should no longer ask whether we can afford to reduce harmful pollution. We, and many other states, have demonstrated that we certainly can, while reducing energy costs and growing our economy. A more pertinent question is whether we can afford not to take action now. To New York's families and businesses, the answer to that is equally clear. Because the

potential costs imposed by climate change on our families, businesses and resources greatly exceed the cost of reducing emissions, action to reduce carbon pollution significantly nationwide is needed now.

RGGI Success

RGGI started in 2005, when a bipartisan group of northeastern and mid-Atlantic governors joined in a memorandum of understanding (MOU) to establish the program. In their MOU, those governors recognized the risks posed by the changing climate and emphasized the potential economic benefits to the region of reducing the amount of money our businesses and consumers spend on electricity produced with fossil fuels. The participating states initially set a goal of reducing carbon emissions 10% by 2018, but we have greatly exceeded that goal, already achieving a reduction of more than 40% at the same time as our economy has expanded.

The RGGI states have achieved this success by setting a declining cap on emissions from the electricity sector and auctioning allowances to the businesses covered by the cap. This system allows the market to determine efficiently where the emission reductions will occur. The experience of the RGGI states is that a suite of activities directed at promoting a cleaner energy system provides the best opportunity for emission reductions from the power sector, or the “best system of emission reduction” in the parlance of the Clean Air Act.

In addition to their participation in RGGI, each of the RGGI states have energy efficiency and renewable energy programs that rank among the nation’s most progressive. The RGGI cap collects the reductions from these efforts under a single emissions limit and ensures that the carbon reductions from these programs are realized and accounted for. And proceeds from RGGI allowance auctions help fund many of these initiatives – creating a virtuous cycle of consumer benefits for ratepayers.

Our program has been a resounding success. Not content with reducing emissions 40% by 2013, the RGGI states agreed in 2013 to lower the 2020 cap to 50% below 2005 levels – cutting power sector emissions in half in just 15 years. Notably, the RGGI states achieved this

reduction in an economy that grew approximately 8% over the period from 2005 to 2013, adjusted for inflation.

The Benefits of Reducing Carbon Emissions Greatly Exceed Any Costs

In New York, we have realized many economic benefits from RGGI and associated programs. We have increased wind power thirty-fold since 2005 and more recently, the NY-Sun program has helped New York become one of the nation's fastest growing markets for solar power, adding more than 300 megawatts (MW) of solar in the first 2 years and we expect to add another 3000 MW of solar by 2023. New York now has the nation's fourth largest solar workforce and at least 10,000 people work in the wind and solar industries in New York. Like the other RGGI states, we have also invested significantly in energy efficiency, saving enough electricity to power nearly a million homes and achieving more than \$5.8 billion in cumulative energy bill savings.

By investing RGGI allowance proceeds in job-creating clean energy programs, we are reducing energy bills in New York and across the RGGI region. An independent analysis undertaken by the highly respected Analysis Group concludes that the reinvestment of auction proceeds from the first three years of the program will reduce total energy bills in the RGGI region by \$1.3 billion, adding \$1.6 billion to the regional economy, and creating an estimated 16,000 jobs in the process. In New York, more than \$450 million in proceeds from the auction of RGGI emissions allowances have been committed to programs that will reduce energy costs for over 130,000 households and 2,500 businesses. Region-wide, the investment of auction proceeds through 2013 is expected to produce more than \$2.9 billion in lifetime energy bill savings to more than 3.7 million families and 17,800 businesses.

Energy bills are the product of two factors: how much energy is consumed and how much that energy costs. By investing in energy efficiency, we are reducing one half of the equation – the amount of electricity consumed. In addition, the average industrial electricity rate in New York has also declined over the period that RGGI has been in place, while electricity rates have increased nationally over the same period. In 2006, before the RGGI requirements were in

place, industrial electricity rates were 50% higher than the national average. In 2014, after RGGI, industrial electricity rates in New York are 13% below the national average.

Businesses in New York are also benefit directly from RGGI investments. The program is providing over \$60 million in funding for advanced clean energy projects at over 80 businesses across the state, enabling them to better compete in the global economy. Overall, 2500 businesses across the state – most of which are small businesses -- have benefitted from the investment of RGGI auction proceeds.

Benefits to Low Income Families

In New York, we recognize the importance of enabling all New Yorkers to share in the economic and environmental benefits of our clean energy initiatives. To that end, two energy efficiency programs funded in part by RGGI (the EmPower NY and Assisted Home Performance with Energy Star programs) are targeted specifically at income-eligible families. These two programs are providing 100,000 low and moderate income families with more than 80 million dollars in cumulative energy bill savings through the first quarter of this year. In addition, more than one quarter of the energy efficiency loans provided by the \$100 million Green Jobs Green New York efficiency program have gone to low and moderate income New Yorkers. Overall, 15% of RGGI investments have funded projects in designated environmental justice areas across the state, accounting for 21% of the total electricity savings across the RGGI portfolio.

Each state participating in RGGI has the freedom to develop its own approach to using auction proceeds to benefit low income families. For example, in addition to supporting energy efficiency, Maryland uses the proceeds from RGGI auctions for direct energy bill assistance for low income families. The reinvestment of auction proceeds has helped more than 215,000 low-income Maryland families pay their energy bills and supported energy efficiency upgrades for nearly twelve thousand low- and moderate-income families.

Protecting Public Health

RGGI contributes to Governor Cuomo's comprehensive clean energy strategy that is reducing pollution, growing the green economy, and protecting public health in New York. This

groundbreaking strategy is called Reforming the Energy Vision, or REV. It will create a cleaner, more resilient, more affordable, integrated energy system that harnesses the local grid with more reliable, green resources. REV will also provide New York's families and businesses with better control over their energy decisions, allowing them to participate in further reducing emissions from New York's energy system.

In addition to economic benefits, New York's clean energy programs are providing substantial public health benefits including reducing illness, health care costs and lost workdays. Over the same period that New York cut power sector carbon pollution by 40%, emissions of sulfur dioxide decreased more than 90%, and nitrogen oxide emissions by around 75%. These reductions are estimated to save hundreds of lives, prevent thousands of asthma attacks and provide public health benefits valued in the billions of dollars. We expect to see similar results nationwide from implementation of the Clean Power Plan, after it is finalized by EPA.

The High Cost of the Changing Climate

In my view, the response to the question of whether we can afford as a nation to reduce emissions from the electricity sector is clearly a resounding yes. But an even more important question is whether we can afford not to. Increased carbon emissions are contributing to a warming climate. As a result, high-intensity storm events have become the norm. These events have and will continue to have significant economic impacts on the States. We do not have to rely solely on studies or projections to notice the impact in New York, because we have experienced the destructive effects of climate-driven extreme weather. Three years ago, Hurricane Sandy decimated many communities and tens of thousands of homes in New York and New Jersey at a cost of \$67 billion; over 70 lives were lost in the New York and New Jersey area struck by the storm. A year earlier, Hurricanes Irene and Lee caused 66 deaths and \$17 billion in damage.

Notably, these storms disproportionately harmed low income families and smaller businesses in communities located in low-lying areas most vulnerable to flooding. In New York, 30% of the homeowners and 65% of the renters directly impacted by Sandy had household incomes below \$30,000. In New York City, 800,000 public housing residents lost essential services during

Sandy and thousands of families in the most vulnerable areas did not have power fully restored for several months. As bad as Hurricane Sandy was, we face an even more bleak future if sea levels rise as much as six feet by the end of the century, as could occur if we fail to take substantial action now to reduce carbon emissions worldwide.

Lessons for the Clean Power Plan

RGGI demonstrates that states can achieve carbon emission reductions that exceed the Clean Power Plan's national goal of 30% below 2005 levels using a regional compliance approach, while reducing energy costs, creating jobs, and protecting public health. Our experience informs us that EPA's projection that the Clean Power Plan will lead to lower, not higher, electricity bills, is likely to be true – if States choose smart, cost-effective approaches to achieve EPA's targets.

A multi-state, market-based program like RGGI provides the most cost-effective means of reducing emissions to comply with the Clean Power Plan. The multi-state market enables regulated facilities in the participating states to take advantage of the most cost-effective compliance strategies across the participating states. In addition, states that choose to auction allowances can use the proceeds, as we have done in RGGI, to provide economic benefit and reduce energy costs to their residential and industrial energy consumers. One of the advantages of the Clean Power Plan is that EPA leaves those policy decisions to the states.

Conclusion

Our choice as a nation is straightforward. We can invest in clean energy, creating jobs as a result, at little or no net cost, and reap the benefits of better health, lower health costs and reduced risks of climate change. Or we can ignore the science and expect more frequent storm events causing tens of billions of dollars in damages. To New York, the answer is clear: we can use energy more efficiently, stimulate economic growth, provide healthier air, and reduce the potential damage from climate change. Other states can reap the same benefits.