



Inside Energy

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RE: Plan B

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Despite a STOP WORK order from the U. S Supreme Court, Delaware regulators plan to move forward and submit a plan to comply with the federal Clean Power Plan. The CPP is basically an attempt to implement a national tax on carbon dioxide emissions from power plants by executive order in response to the President's inability to pass the tax when he had a supermajority in the Congress. Delaware's plan will simply rely on our existing participation in a regional carbon dioxide tax plan and our existing requirements for more wind and solar power. If the CPP passes legal muster, a big if, we recommend consideration of Plan B.

First consider statements made by regulators and their supporters at a listening session March 2, followed by our response:

- *We have to adopt the CPP to stop global warming.* The CPP will not reduce global warming, this according to EPA Director Gina McCarthy in Congressional testimony.
- *We have to clean up Delaware's dirty air.* In 2015 Delaware met every national air quality standard including the new ozone standard and beat the CPP 2030 emissions goal by 25%.
- *It is morally wrong not to implement the CPP.* Pope Francis disapproves of carbon taxes as they hurt the poor, invite speculation, and don't change behavior, exactly what we have seen with the regional tax.
- *The regional emissions tax cut emissions in half.* We have to thank our power plants for reduced emissions, not because of the tax but for economic reasons. The Delaware City Refinery switched from petroleum coke to natural gas and closed units to avoid capital investment and cut emissions by 1.6 million tons (91 %). NRG closed three coal fired units and cut emissions by 3.6 million tons (85%).
- *The Regional tax had a positive economic impact.* A positive impact assumes tax revenue was spent on energy efficiency and renewable energy projects to reduce electric demand and air pollution. In reality only 25% of tax revenue has actually been spent on projects and most of those were not confirmed by post project audits.
- *Delaware has done a great job promoting solar power.* Solar power provides about 1% of our demand but required a third of a billion dollars in subsidies that are added to electric bills. At this rate meeting our 2025 goal of 3.5% solar will cost a billion dollars. Solar provides power about five hours a day and needs back up power when the sun doesn't shine making it unreliable.
- *The CPP is needed to level the playing field for all states.* Because of energy policies in regional carbon tax states they paid 58% more for electricity in 2015 than non-tax states. Leveling the playing field means forcing the rest of the country into this same misery of job killing electric rates. Furthermore the regional tax states import power which means they export their carbon footprint elsewhere. Importing power means higher transmission losses, and imported power for Delaware is almost five times as likely to come from a coal fired plant. We estimate by importing 32% of our power we are exporting over 2 million tons of emissions a year.



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- *Lawsuits will not end the CPP.* Twenty seven states sued to end the CPP. The Supreme Court approval of a motion to stay the regulation until the lawsuits are decided is an extremely rare event indicating the court believes the CPP is likely to be overturned.

Plan B: Delaware electric generators emitted 25% below the CPP goal of almost 4.8 million tons in 2030. If we drop out of the regional tax plan with its lower emission caps we can offer the 4.8 million tons of allowances in a Delaware only auction and still meet the CPP. State regulators already have the authority to create a Delaware only auction. The extra allowances would likely reduce allowance auction prices to the \$2/ton reserve price down from the 2015 average price of \$6.10/ton. This may encourage the construction of additional efficient base load power plants. The lower tax revenue would still generate \$7 to \$9.5 million a year which just about equals current program spending. Globally, emissions would fall by a quarter million tons through lower transmission losses and by lower local emission rates. Electric prices could fall by up to 21%. The combination of building new power plants and the economic benefit of lower electric prices might add up to 900 construction jobs for three years, and up to 1900 permanent jobs.