

September 13, 2019

Energy & Commerce Committee
2125 Rayburn House Office Building
Washington, DC 20515
Submitted via email: CleanFuture@mail.house.gov

Re: Response to Energy & Commerce Committee Request for Input

Dear Energy & Commerce Committee Members:

On behalf of the Energy Strategy Coalition,¹ we appreciate the opportunity to respond to the questions the Committee sent on August 27, 2019. Our member companies have long supported an economy-wide federal approach to reducing greenhouse gas (GHG) emissions that promotes investments in clean and renewable energy while at the same time mitigating the risks to our customers and energy infrastructure due to the changing climate, including extreme weather events, sea level rise, more frequent and intense wildfires, and reduced snow pack. We welcome the opportunity to engage with the Committee as it develops legislation to support the plan to achieve 100 percent clean energy by 2050. A net-zero GHG emissions target by midcentury is critical to address the climate change impacts we and our customers are already experiencing.

Please find our responses to each question below.

Question 1: What are the key policy, regulatory, and market considerations that should inform the development of comprehensive climate legislation? Please provide specifics.

A well-designed federal GHG reduction program should be market-based and economy-wide. Such a program would encourage the adoption of cost-effective emission reductions across the economy and provide a strong, certain, and technology-neutral signal for clean technology innovation. As discussed more fully below, a federal economy-wide approach that uses different mechanism for different sectors may be appropriate provided the combination of programs promotes cost-effective emission reduction strategies throughout our economy. For the electric sector, effective market-based options include a carbon fee, cap-and-trade, clean energy standard, or a hybrid of these approaches.

As the Committee develops comprehensive climate legislation, it will be important to consider how energy markets will affect how the electric sector complies with any emission reduction requirements or clean energy requirement, including the impact of those compliance mechanisms on customers. In fully regulated states, utilities are typically vertically integrated, which means they own and operate generation as well as the distribution system to serve their customers. Customers in these states typically have one choice of electricity provider, and the same company provides the service and the supply. In competitive—sometimes called “deregulated”—markets, electricity distribution companies (i.e., the utilities that own and operate the distribution systems) are often restricted from

¹ This letter is submitted on behalf of the following electric power companies and electric utilities: Austin Energy, Con Edison, Exelon Corporation, Los Angeles Department of Water and Power, National Grid, New York Power Authority, Pacific Gas & Electric Corporation, Sacramento Municipal Utility District, and Seattle City Light.

owning power plants. In these states, customers may also have retail choice, with the option to buy electricity from a number of different retail providers. Thus, evaluating how any electric sector climate policy will affect clean energy investment decisions by generators in different markets, local transmission and distribution companies, retail providers, and customers is critical as it varies in different regions of the country.

Additionally, states have continued to implement policies that are already significantly reducing electric sector emissions. For example, 29 states and D.C. have a renewable portfolio standard (RPS), five states have a clean energy standard (CES), and ten states have cap-and-trade programs for the electric sector (with two additional states in process of implementing one). Any federal climate policy should consider how to leverage existing state programs while also ensuring states can continue to drive clean energy investments.

Given that states and many companies have already made investment decisions that have reduced emissions, the reduction trajectory for any GHG emission reduction requirement should also be considered. While some states and companies have already made significant investments in emission reductions, we recognize that there are also companies that will need time to accelerate the transition to clean energy. The emission trajectory for the electric sector and compliance flexibilities are important design features that a federal climate program should utilize to balance those considerations.

Finally, maintaining affordable and reliable electric service for our customers is essential, and any electric sector reduction program should maintain these core principles. Failing to address climate change through an emission reduction program will challenge both of these objectives. Therefore, actions to reduce emissions now will be more cost-effective than delaying action or only managing the impacts of a changing climate after they occur. We thus urge the Committee to consider programs that can be implemented promptly. It will also be important that any GHG emission reduction program include measures to mitigate economic impacts, including, for example, electric bill rebates for households, investments in clean energy technologies and infrastructure, and job training programs.

Question 2. Please describe any innovative concepts for climate policy design, including both sector-specific and economy-wide measures, that you believe the Committee should consider.

Effectively addressing climate change will require emission reductions by all sectors of our economy. To this end, we support legislative solutions that support a well-designed economy-wide carbon pricing approach. However, sector-by-sector approaches to reducing emissions have worked in the past and may also be appropriate provided the combination of programs promotes cost-effective emission reduction strategies throughout our economy. Additionally, it may be appropriate to start regulating some sectors through existing Clean Air Act authority while others would benefit from a federal legislative approach. For example, significant emission reductions could be achieved if:

- Congress were to develop a market-based program for the electric sector;
- EPA used its existing authority under the Clean Air Act to continue to drive emission reductions from the transportation sector consistent with the California GHG and zero-emission vehicle standards;
- Congress extended federal incentives for electric vehicles and infrastructure; and
- Congress continued to develop legislation to drive investment in energy efficiency and industrial and agricultural process improvements through incentives, grants, and clean energy research and development including support for carbon capture and sequestration.

Electrifying the transportation sector is a key element of reducing GHG emissions. Thus, any federal GHG reduction program must reflect the interactions between the electric and transportation sectors and recognize the role of the electric sector to address transportation-related emissions.

Question 4. If your organization has adopted carbon pollution reduction goals, how have those goals – or your plans to meet those goals – evolved over the last decade?

Many of our member companies have adopted GHG reduction goals and are submitting separate responses. It is important to note collectively, however, that a national market-based program can significantly support those reduction targets and ensure that cost-effective reduction opportunities are captured, while significantly expanding the set of organizations working to reduce GHG emissions.

Question 7. How can the Federal Government assist you in reducing carbon pollution?

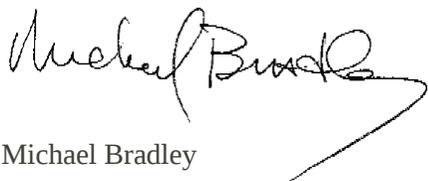
The electric sector has invested, and will continue to invest, in clean energy in response to customer and investor demands, state and local policy, and market dynamics. A policy or suite of policies that establishes a clear emission reduction trajectory is critical to providing regulatory certainty for long-term investments in clean energy. Such certainty will allow companies to pursue cost-effective emission reduction opportunities, invest in the necessary electric and transportation infrastructure, and ensure our industry continues to provide affordable and reliable electric service to our customers. Federal support for research and development to ensure the commercialization of clean energy technologies can help significantly reduce the costs of advanced technologies and increase the ability for more rapid adoption. Thus, in addition to the GHG reduction programs noted above, there are several additional complementary measures that we urge the Committee to consider, including federal grants and incentives for:

- energy efficiency and building codes investments;
- clean transportation vehicles and the associated charging infrastructure;
- emerging technologies including storage and carbon capture and sequestration;
- grid modernization initiatives;
- programs supporting low-income consumers;
- investments in climate change solutions and climate resilience; and
- clean energy and advanced technology research and development.

Question 8. Are there any additional comments or feedback you would like to add?

We appreciate the opportunity to submit these responses to the Committee. If you have any questions, please do not hesitate to contact me or Carrie Jenks at cjenks@mjbbradley.com.

Sincerely,



Michael Bradley
President

M.J. Bradley & Associates LLC