RealClear Energy

Don't Blow It: Pennsylvania Must Keep Pro-Shale Energy Policies

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Pennsylvania stands out among its neighboring states as an energy powerhouse that has made smart use of its vast supplies of natural resources.

But that could all change if Governor Tom Wolf circumvents the commonwealth's general assembly to join the Regional Greenhouse Gas Initiative, a multistate compact widely known as RGGI.

Pennsylvania is now the largest net exporter of electricity in the U.S.; it delivered an average of 58 million megawatt-hours annually between 2013 and 2017. Pennsylvanians enjoy electricity prices below the national average, largely thanks to the fracking boom started in the mid-2000s, which reinvigorated the state's natural gas industry and helped much of western Pennsylvania stave off the worst effects of the Great Recession.

The Keystone State is also the nation's second-largest producer of natural gas, third-largest producer of coal, 16th-largest producer of crude oil, and third-largest producer of electricity in general, according to the U.S. Energy Information Administration.

Instead of having Pennsylvania join RGGI, other states that are now part of RGGI should start to follow Pennsylvania's lead and implement pro-energy policies that would benefit average citizens who are still reeling from the economic effects of COVID-19.

Pennsylvanians enjoy low electricity rates, particularly compared with their RGGI neighbors, whose rates averaged 15.08 cents per kilowatt-hour in 2018—5 cents above Pennsylvania's. Imposing RGGI's strict cap-and-trade system on Pennsylvania would certainly raise electricity prices, but for what gain?

The Pennsylvania Department of Environmental Protection estimates that under RGGI, the state's annual greenhouse gas emissions could fall by 25 percent between 2022 and 2030. Yet the DEP also reports that the state's emissions fell by nearly 19 percent from 2005 to 2016, without any such framework. That's largely due to Pennsylvania's dramatic shift from coal to natural gas production and its modest increase in nuclear power production. (Natural gas emits roughly half as much carbon dioxide when burned as coal, and nuclear produces none.) In other words, the free market is working without government intervention, and Pennsylvania has already achieved substantial reductions in carbon dioxide emissions.

Eleven New England and Mid-Atlantic states are now signatories to RGGI, which makes use of a cap-and-trade system that caps the annual amount of greenhouse gases—mostly carbon dioxide and methane—that companies are permitted to emit. Producers can then trade a limited number of emission permits in an auction, in order to emit more without being fined; but the cap and total number of permits shrink each year, making it more expensive for them to emit greenhouse gases.

What would this mean for Pennsylvania?

Wolf's own DEP reports that the annual cost—passed through to taxpayers—could reach $320 million as early as 2022, using proceeds from the annual RGGI emission auction. The Industrial Energy Consumers of Pennsylvania, a major manufacturers' trade group, estimates the minimum financial impact of RGGI at $275 million *per year* as an added cost to energy producers, not counting the expense of purchasing cap-and-trade emission permits, much of which will be passed along to households and other consumers.

Unlike some global warming policies, RGGI has a wealth of data to examine. A 2018 study by the libertarian Cato Institute found that the program "resulted in a 12 percent drop in [overall] goods production," compared with a 20 percent gain in non-RGGI comparison states. Critically, RGGI states saw power imports increase from 8 percent to 17 percent and "shifted jobs to other states." In Delaware alone, RGGI emission allowance costs added $11 million to the state's electricity bills.

One independent analysis of how RGGI invested its revenues in 2018 found that the program resulted in a nearly $900 cost per metric ton of carbon dioxide reduced, vastly higher than the "social cost of carbon"—the measure of the economic impact of emissions used to justify carbon pricing schemes—that the far-left Environmental Defense Fund estimates at roughly $50 per metric ton. But here's the kicker: Cato's study found "no added emissions reductions or associated health benefits from the RGGI program."

So what's the point of having Pennsylvania join RGGI if there are no economic or environmental benefits? The answer is that Wolf's anti-energy schemes fit into a broader movement.

Pennsylvania's great success has made it a target of professional left-wing activists who subscribe to a rigid ideology that demonizes carbon dioxide, a naturally occurring gas that is vital to life on earth. These environmentalists are waging a nationwide war on cheap, abundant energy from coal, oil, and natural gas, forcing the country to arbitrarily shift to unreliable and expensive sources such as wind turbines and solar plants.

While RGGI doesn't specifically target fracking—it levies taxes on coal and natural gas power plants—these groups have been angling for a statewide ban on fracking for years. America owes its energy independence to fracking. In 2009, the U.S. was the world's third-largest oil producer, behind Russia and Saudi Arabia. In 2019, it led the globe in oil and natural gas output, more than doubling oil production and increasing gas production by two-thirds in a decade, producing 12.3 million barrels of crude oil per day. And in 2019, America became a net energy exporter for the first time in 67 years, according to the U.S. Energy Information Administration.

Now is not the time to go backward.