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Carbon tax plan doesn't work, raises costs: Delaware Voices

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If you like the Bloom Energy fuel cell project, a billion-dollar subsidy added to your electric bill, you will love the carbon tax plan: double the cost and no benefits!

Delaware belongs to the Regional Greenhouse Gas Initiative (RGGI). Nine northeastern states from Maryland to Maine sell power plant carbon dioxide emission allowances in quarterly auctions, reducing the number of allowances over time, and the allowance cost is added to electric bills.

Governor Carney just announced the plan will be extended from 2020 to 2030, with a planned 30 percent additional reduction in emission allowances.

My new refereed study titled "A Review of the Regional Greenhouse Gas Initiative", is available on the Cato Institute website. It finds there were no added emissions reductions or associated health benefits from the decade-old RGGI cap and trade program than were seen in other states without RGGI.

Spending of program revenue on energy efficiency, wind and solar power, and low income fuel assistance had minimal impact.

The extended plan continues to have an annual target price beginning at $13 per ton in 2021, and rising to almost $24 in 2030. To put that in perspective, the clearing price in the June auction was $2.53.

The plan continues to offer additional allowances if the target price is exceeded, but adds an option to withdrawal allowances from the auctions if prices fall much below the target price, as has happened before.

So much for this being a "market based" program. It isn't an auction when you set the price.

Based on the first two quarters' experience, this year's auctions are expected to raise about $7 million for Delaware, which would add about $7 a year to residential electric bills. Using the RGGI target prices and an electric demand reduction forecast of 0.5 percent a year, by 2021 the cost will rise to over $50 million and add $54 a year, rising to over $67 million in 2030, adding $65 a year.

Besides the direct cost there is an indirect cost. In the last year, 31 percent of our power has come from elsewhere in the PJM electric grid network, according to the US Energy Information Agency's Electric Power Monthly.

As generating electricity in Delaware becomes more expensive, we will import more power, likely rising to 45 percent by 2030. We might easily add another $30 a year in indirect cost for extra charges for transmission congestion, transmission line losses, and capacity charges for a total cost of $105 a year in 2030, just about double the annual cost of the fuel cell project.

Because of the combination of RGGI, and other state energy policies, Delaware has high electric rates. Between 2007 and 2014, Delaware lost almost half its energy-intensive industry and 22 percent of its goods manufacturing base.

Comparison states with similar energy policies, except for RGGI, lost only 4 percent of energy intensive manufacturing and gained 15 percent in goods production. One result is Delaware is the only state where wages have declined in actual dollars, according to the US Bureau of Economic Analysis.

RGGI supporters often claim spending RGGI auction revenue has greater economic and societal benefits than if the money stayed in the hands of our residents and businesses. Redirecting money from individuals and businesses can cost more jobs than are created with the tax money.

Besides, in Delaware, half the revenue sits unspent and another quarter was spent on administrative expense. How is that helping the economy?

Auction allowances are permits to emit carbon dioxide. The cost of those allowances will increase up to ten fold.

The Delaware Constitution requires any tax or fee increase receive a three-fifths approval from the Delaware legislature. I am a plaintiff in a lawsuit scheduled for trial the week of October 16, which challenged the Delaware Department of Natural Resources and Environmental Control for using an administrative procedure without legislative approval to enact the last RGGI allowance reduction plan.

The Governor needs legislative approval for this RGGI extension. Hopefully, legislators will reject this expensive, ineffective plan which is nothing more than political posturing to undermine national policy. RGGI doesn’t work.