



**COMMENTS ON PROPOSED LEGISLATION,
L.D. 434,
“An act to price carbon pollution in Maine”**

**Committee on Energy Utilities and Technology
February 28, 2019 Hearing**

The Northeast Gas Association (NGA) appreciates the opportunity to provide comments on proposed legislation 434, “an act to price carbon pollution in Maine.” We write to express our concerns about this proposed legislation and to encourage further study and consideration of this matter by the Legislature.

Carbon pollution is a major challenge for the state, the region, and the country. The desire to address this issue on a state basis is laudable. However, the solution in our view would be most effectively addressed at the national or even New England regional level - such as has been implemented for the power sector through the Regional Greenhouse Gas Initiative (RGGI). Maine’s economy would best be served by not adding a stand-alone carbon pricing regime that could disadvantage the state economically compared to its neighboring jurisdictions.

The Northeast Gas Association (NGA) is a regional trade association that focuses on education and training, technology research and development, operations, planning, and increasing public awareness of natural gas in the Northeast U.S. NGA represents natural gas distribution companies, transmission companies, liquefied natural gas importers and associate member companies. Its member companies provide natural gas service to over 13 million customers in 9 states (CT, ME, MA, NH, NJ, NY, PA, RI, VT).

The natural gas distribution companies in Maine deliver natural gas to approximately 46,000 customers every day – from homes and businesses to schools, hospitals, and commercial and industrial facilities. Natural gas represents 8% of home heating in Maine (the leading home heating fuels in Maine are oil at 61% and propane at 11%).

Maine Has a Comparatively Lower-Carbon Energy Supply and Economy

Maine has a relatively low carbon-intensive energy supply compared to most U.S. states, as noted by the U.S. Energy Information Administration (EIA) in its February 2019 report, “Energy-Related Carbon Dioxide Emissions by State, 2005-2016.” EIA notes: “Many of the states with the lowest energy intensities are clustered in the relatively densely populated New England and Middle Atlantic regions.” The report can be found online:
<https://www.eia.gov/environment/emissions/state/analysis/>

According to EIA, Maine’s energy-related carbon emissions declined by 28.8% between 2005 and 2016 (table 1 of EIA report, unadjusted). The leading source of carbon emissions in Maine in 2016 was the transportation sector at 54.2%. The residential sector was 17.7%, commercial 9.8%, industrial 9.1%, and electric power 9.1%. Natural gas represented 17.6% of the state’s carbon emissions by fuel in 2016, compared to oil at 81.2%.

The Region's Electric Power System Has Made Substantial Progress in Reducing Air Emissions, Including Carbon Dioxide – Thanks in Great Measure to Natural Gas

In October 2018, in an issues brief, U.S. EIA noted: "U.S. electric power sector carbon dioxide emissions (CO₂) have declined 28% since 2005 because of slower electricity demand growth and changes in the mix of fuels used to generate electricity...The power sector has become less carbon intensive as natural gas-fired generation displaced coal-fired and petroleum-fired generation and as the non-carbon sources of electricity generation - especially renewables such as wind and solar - have grown. The substitution of natural gas for other fossil fuels has largely been market driven, as ample supplies of lower-priced natural gas and the relative ease of adding natural gas-fired capacity have allowed it to pick up share in electric power generation in many markets."

ISO New England (ISO-NE), the regional electric grid operator, reports that from 2001 to 2017, total emissions from power plants in New England dropped by 98% for sulfur dioxide (SO₂), 74% for nitrogen oxides (NO_x), and 34% for CO₂.

In December 2018, ISO-NE stated: "This ongoing trend to meet electricity needs with higher-efficiency, lower-emitting gas-fired generators instead of oil- and coal-fired generators has been the biggest contributor to the long-term decline in regional emissions."

Several Northeast States are Considering Establishing a RGGI-Type Framework to Address Transportation Sector Emissions, the Largest Carbon-Emitting Source

In December 2018, a coalition of nine Northeast and Mid-Atlantic states and the District of Columbia announced their intent to design a new regional low-carbon transportation policy proposal that would cap and reduce carbon emissions from the combustion of transportation fuels, and invest proceeds from the program into low-carbon and more resilient transportation infrastructure.

The proposal, endorsed by Connecticut, Delaware, Maryland, Massachusetts, New Jersey, Pennsylvania, Rhode Island, Vermont, Virginia, and Washington, D.C., describes the goals of such a program, including reducing climate changing pollution, creating economic opportunity, and improving transportation equity for currently underserved and overburdened populations. It also sets a goal of completing the policy design process within one year, after which each jurisdiction will decide whether to adopt and implement the policy.

This could represent a policy option that the State of Maine might wish to consider, as a way to address the largest carbon-emitting sector in the state and the region – the transportation sector.

Concerns about Administrative and Economic Costs of Pricing Program

We would respectfully urge the Committee to consider the administrative costs and procedures involved with this proposed pricing plan. It is proposed as a way of reducing end-user customer bills but the administrative and accounting steps involved, and the upfront costs on bills to customers, would likely add economic burdens and uncertainty.

The proposed bill summary states that “the funds [in the Carbon Content Assessment Fund] are to be used to reduce the rates of those utilities’ customers in a manner that is equitable and that provides maximum benefit to the economy of the State.”

We would respectfully note the ambiguity and uncertainty of language such as “equitable manner” and “maximum benefit.”

Maine’s carbon footprint equals 11% of New England’s total annual energy-related carbon output. We would urge Maine to study further the implications of going ahead with a higher energy cost structure than its neighboring states and consider a regional trading approach as an alternative option.

In closing, NGA extends its appreciation to the Committee for considering our comments. Maine and New England have made and continue to make progress in reducing carbon emissions.

