



September 30, 2024

The Honorable Greg Vitali, Chairman
House Environmental Resources
and Energy Committee
30 East Wing
P.O. Box 202166
Harrisburg, PA 17120-2166

The Honorable Martin Causer, Republican Chairman
House Environmental Resources
and Energy Committee
47 East Wing
P.O. Box 202067
Harrisburg, PA 17120-2067

Dear Chairman Vitali and Chairman Causer:

The Marcellus Shale Coalition (MSC) is a regional trade association representing over 140 companies engaged in the safe and responsible development of Pennsylvania's unconventional natural gas resources. On behalf of the MSC, I write to express our opposition to House Bill 2277, which is scheduled for a vote on October 1st by the House Environmental Resources and Energy Committee (Committee).

Before outlining specific concerns with HB 2277, it is important to emphasize that despite purporting to strengthen electric reliability within the Commonwealth, this legislation is poised to do the exact opposite. The legislation micromanages the Commonwealth's electric generation portfolio and imposes significant new mandates upon electric distribution companies and competitive energy suppliers, rather than enabling the marketplace to work as intended.

Many of these new mandates relate to intermittent, unreliable and even untested energy generation sources. While energy resources like wind and solar have a place within a diverse mix of fuel sources, imposing mandates to purchase and distribute these resources – when there is no guarantee that they can generate sufficient electricity both at scale and on demand – puts the Commonwealth's consumers and economy at significant peril.

Beyond this overarching concern, there are several other significant policy issues which the Committee should take note of regarding HB 2277:

- HB 2277 creates a state subsidy program for nuclear generation. Due to drafting concerns with HB 2277, it is not clear whether the state subsidy program is in addition to or in place of the newly implemented federal subsidy for nuclear generation which already will cost taxpayers approximately \$229.96 Million annually. The language is unclear whether taxpayers will be required to foot the bill for another layer of subsidies for nuclear energy.
- HB 2277 permits out-of-state nuclear generation to be subsidized by Pennsylvania ratepayers.
- While percentages fluctuate based upon demand and facility retirements or availability, in 2024 Pennsylvania's electric generation portfolio is roughly 59% natural gas, 32% nuclear, and 5% coal, with the balance of 5% coming from intermittent sources like hydropower, solar and wind.

Under HB 2277, when fully phased in, 50% of Pennsylvania's generation portfolio must come from Tier 1 intermittent resources and Tier II and Tier III resources, all of which exclude natural

gas and coal. Given the strong likelihood that nuclear generation will continue to maintain its portfolio share of 32% thanks to the new taxpayer subsidies, this means that combined, Tier 1 intermittent resources, Tier II, Tier III, and nuclear generation will account for approximately 82% of Pennsylvania's generation that is distributed. Said another way, gas and coal generation, currently 64% of the market, are left to compete for only 18% of the market.

- The corresponding demand reduction for Pennsylvania natural gas generation translates to a 69% decrease in natural gas electric generation compared to current 2024 market share, and an 8.6% decrease in demand for Pennsylvania-produced natural gas. This translates into tens, if not hundreds, of millions of dollars of lost capital investment to the Commonwealth and lost revenue to Pennsylvania royalty owners, including state agencies like DCNR and the Game Commission.
- The legislation's use of "*lifecycle greenhouse gas emissions*" is misleading. By incorporating the definition utilized in the federal hydrogen tax credit law, the term limits such emissions to only those associated with the through-put at the electricity generation source. This is the antithesis of what is meant by the term "lifecycle" and disguises the true lifecycle emission footprint of intermittent energy resources like wind and solar.

For those concerned with reducing carbon emissions from the electric power sector, they ought to be celebrating Pennsylvania's historic 45% CO2 emissions reduction since 2005 and recognizing that these reductions were driven by increased natural gas use. Instead, this legislation relegates Pennsylvania natural gas to the literal back burner while blindly hoping that intermittent, unreliable and untested fuel sources will somehow magically become reliable and capable of ensuring baseload power.

At a time when PJM and other experts have sounded the alarm over grid resiliency and reliability in contrast to the projected increase in electric demand, HB 2277 exacerbates these concerns. It displaces clean, reliable and affordable energy and in doing so puts Pennsylvania residents and our economy in grave danger.

Please oppose HB 2277 as written.

Sincerely,



Jim Welty

Vice President, Government Affairs

