Examples of State Public Policies Benefitting Non-Renewable Resources

Sustainable FERC Project

Capacity Construct Public Policy

Senior Task Force

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“[T]he MOPR appears to be based on an idealized vision of markets free from the influence of public policies. But such a world does not exist, and it is impossible to mitigate our way to its creation. …

Given the pervasiveness of public policies that support resources, I believe the MOPR has proven to be unworkable in practice.”

-- Chairman Bay, *concurring*, *ISO-NE & New England Power Pool Participants Comm.* (2017)

Bay's concurrence

- All energy resources receive federal subsidies
  - can have a similar impact on markets as state subsidies
- MOPR does not examine whether existing resources have previously benefited from subsidy
- State actions like a prompt siting decision or a favorable zoning exemption may provide more economic benefit than a subsidy

Principled approach to untangling subsidies from market feasible?

- J&R rates, no undue preference
  - Avoid targeting highly visible public policies over subsidies hidden in tax code, preferential leasing/zoning rules etc.
  - Visibility not necessarily related to market impact
- Past policies
- Federal policies
  - Fossil has received 65% of federal support to date versus less than 3% for wind

Additional state subsidies

- Quick review, not exhaustive survey
- Some coverage gaps
  - Not all PJM state tax expenditure budgets included
  - Limited coverage of insurance, reclamation, and credit support
- Sorted by PJM's categories

Standard Attainments

- Portfolio standards include:
  - Coal: mine methane (PA, IN); waste coal (PA); advanced coal (IN, PA, MI)
  - Natural Gas (IN)
  - Nuclear (IN, OH)
  - CHP & Cogen (OH, NC, IN, MI, OH)
  - Landfill gas (DC, DE, IL, MD, MI, NC, PA, VA)
  - Waste-to-energy (MD, MI, IN, NJ, OH, PA)
  - New, retrofitted or repowered generating facility (OH)
  - Waste from animal, ag operations (DE, IL, IN, MD, OH); industrial energy recovery (IN); paper and wood industries (PA)

Appropriations

- State funding for coal (KY)
  - R&D funding
  - Mining workforce development and job training
- Tax breaks
  - Review is complex, limited in scope
    - OECD assessed 3 states within PJM
    - Tax breaks for coal, petroleum, natural gas (KY, PA, WV)
    - OH – tax breaks for natural gas, coal, all fuels
    - PA – tax credits for waste coal generation and natural gas infrastructure
  - Indicates conventional energy may be a significant beneficiary of tax breaks

Appropriations

- Tax credits/other incentives to attract/retain industries
  - Coal: Clean Coal Power Operations ($550m, KY, 2008); Kentucky Syngas ($250m, KY, 2007); Duke Energy ($204m, IN, 2006; Cash Creek Generation ($150m, KY, 2008); Secure Energy Inc. ($85m, KY, 2011)
  - Petroleum: Marathon Petroleum ($186m, MI, 2007; $78m, OH, 2011)
  - Natural gas: Dominion Resources ($506m, MD, 2013)

Appropriations

- Fossil fuel transportation subsidies
  - Road damage from heavy trucks, many trips, remote extraction sites
  - Complicated assessments, infrequently done
    - Coal: $240m/year in KY (Konty and Bailey 2009); totaled $4b in WV (McIlmoil et al., 2010)
    - O&G: No PJM state data, but likely big in some parts. Detailed review of TX found damages in excess of $2b/year (TxDOT)

Regulation

- Zoning and access to public lands
  - PA: lots of O&G on public lands; no access yet for renewable projects
  - PA, NC, OH: bigger setbacks required for large wind and solar projects than for O&G

General comments

- Quick survey indicates subsidies pervasive, diverse, burdensome to fully inventory
- Significant subsidies for fossil
  - Portfolio standards can include coal, methane from coal mines or landfills, nuclear, or biomass
  - Tax exemptions
  - Favorable rules for fossil development on public lands
  - Transport subsidies to remote coal or oil fields
- Non-discriminatory approach to MOPR likely infeasible, benefit questionable, unclear it fixes underlying problem