Pennsylvania Grade Crude Oil Coalition
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Serving the Industry for over a Century -- Conventional to Shale and Beyond

Pennsylvania Independent
Petroleum Producers

August 23, 2021

Independent Regulatory Review Commission
333 Market Street, 14th Floor
Harrisburg, PA 17101

Re: RGGI (EQB # 7-559 & IRRC # 3274)

Dear Members of the Independent Regulatory Review Commission:

The Pennsylvania Grade Crude Oil Coalition (PGCC) is a trade organization that represents conventional oil and gas interests in Pennsylvania. Conventional wells are shallow (non-shale) vertical wells that produce both oil and natural gas. Pennsylvania boasts the first conventional well, drilled by "Colonel" Edwin Drake, in Titusville in 1859. Today there are over 100,000 conventional oil and gas wells in operation in Pennsylvania. These wells are located in western Pennsylvania. Almost all Pennsylvania conventional wells are owned by small businesses or sole proprietors.

The Pennsylvania Independent Oil & Gas Association (PIOGA) is a nonprofit trade association, with over 350 members, representing Pennsylvania independent oil and natural gas producers, both conventional and unconventional, and marketers, service companies, landowners and royalty owners, as well as affiliated natural gas-fired electric generators. Back in 1918, a group of Pennsylvania crude oil and natural gas producers got together to form a trade organization that has evolved into PIOGA.

The Pennsylvania Independent Petroleum Producers (PIPP) is a nonprofit trade association representing independent conventional producers of primarily oil in northwest Pennsylvania, most of whom are small, multi-generational businesses. Some PIPP members also produce and sell natural gas and use their gas to generate power on individual leases.

PGCC, PIOGA and PIPP write to express, to you, concerns about the Regional Greenhouse Gas Initiative (RGGI) rulemaking. As you are aware, RGGI will impose CO2 emission allowance fees upon Pennsylvania industries. The CO2 emission fees will be sizeable. Indeed, the DEP anticipates that this rulemaking will raise over $2 billion dollars in CO2 emission allowance fees between 2022 and 2030.

Act 52 of 2016 (Act 52) formed the Pennsylvania Grade Crude Development Advisory Council (CDAC). Section 4 of Act 52 imposes upon CDAC the obligation to: "Assist the Secretary of Environmental Protection with and provide written comments on new departmental policy that will impact the conventional oil and gas industry of this Commonwealth, including economic consequences." Under Act 52 the six undersigned members of PGCC, PIOGA and PIPP are appointed to serve upon CDAC.

The Department of Environmental Protection (DEP) has not involved CDAC in the RGGI rulemaking and specifically has not sought written comments on the RGGI rulemaking. At the August 19, 2021 CDAC meeting an inquiry was presented to the DEP, inquiring whether RGGI would impact the conventional oil and gas industry, and whether DEP intended to involve CDAC in the process of written comments. The representative speaking on behalf of the DEP at the CDAC meeting indicated that he did not believe RGGI would impact the conventional oil and gas industry and that the DEP would not involve CDAC in the process of written comments.

The RGGI CO2 emission fees would be imposed upon natural gas-powered facilities. Accordingly, the rulemaking would discourage the continued operation, and the development of new, natural gas-powered facilities. Such tipping of the scales by the rulemaking will have a direct "economic consequence" upon the conventional oil and gas industry by diminishing the market for the sale of natural gas in Pennsylvania. Given that the rulemaking is intended to raise over $2 billion dollars in the span of less than ten years the harmful economic consequence wrought upon the conventional oil and gas industry will be both swift and severe.

Therefore, because the carbon emission fees will be imposed upon natural gas-powered industries, the rulemaking falls under the purview of Act 52 because the rulemaking would "impact the conventional oil and gas industry of this Commonwealth, including economic consequences." If the rulemaking falls under the purview of Act 52, then CDAC is obligated by statute to "assist the Secretary of Environmental Protection with and provide written comments on (the) new departmental policy." The DEP has not sought the assistance of CDAC nor sought the written comments of CDAC as is required under Act 52.

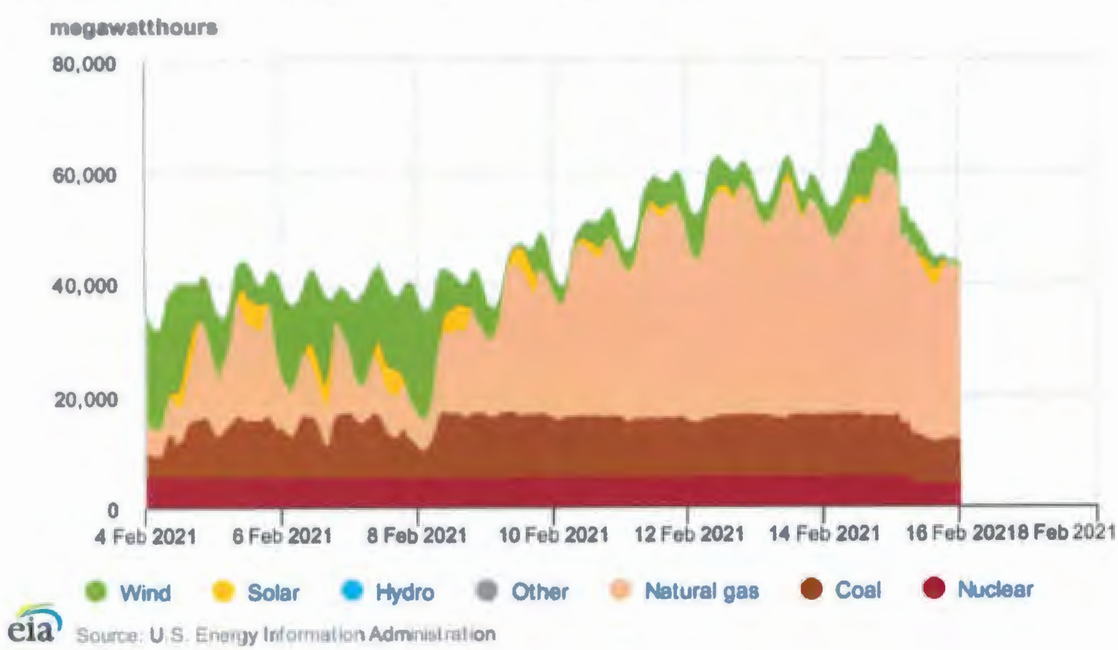
PGCC, PIOGA and PIPP, as members of CDAC, stand ready, able, and willing to participate in a CDAC process designed to assist the DEP and to provide comments about the consequences of the rulemaking. CDAC meets regularly and has membership representatives from industry, academia, the DCED, the DEP and other organizations. CDAC members are hard-working and volunteer significant time to the accomplish the goals of Act 52. The annual reports summarizing the work of CDAC are available for review at: PA Grade Crude Development Advisory Council | DCED.

In addition to the above concerns regarding Act 52, PGCC and PIOGA believe it important to provide to the IRRC information about the product that PGCC and PIOGA members, and some PIPP members, produce, namely, natural gas. Natural gas is a remarkable energy source. It is energy intense, containing roughly 3 times more energy per unit than the energy source wood. Unlike unreliable wind and solar energy, natural gas is a reliable energy source able to work 24 hours a day, 7 days per week. Indeed, without natural gas, wind turbines and solar panels would be useless as sources of electricity, because the intermittent production from wind turbines and solar panels is entirely inadequate to supply the base load for the electrical grid. Indeed, weather dependent wind turbines and solar panels are so unreliable that the electrical grid can be maintained only by the extensive use of natural gas-powered electrical generators which can be rapidly brought online and taken offline in order to absorb or supplant the undependable supply of electricity from wind turbines and solar panels.

An example of the unreliable nature of wind turbines and solar panels is the multi-day electrical blackout suffered in Texas during the Valentine's Day weather event in 2021. During that blackout, electricity from Texas wind turbines and solar panels decreased by approximately 90%. Electricity from natural gas-powered electrical generators increased approximately 470%. Despite this remarkable contribution from natural gas, the blackouts unfolded because Texas has become heavily dependent upon unreliable wind turbines and solar panels.

Below is a chart showing the electricity generation by energy source in Texas during the time leading to and including the blackout:

Electric Reliability Council of Texas, Inc. (ERCO) electricity generation by energy source 2/4/2021 – 2/17/2021, Central Time



Further, while PGCC, PIOGA and PIPP do not embrace the concept that CO2 is a pollutant, we do note that Pennsylvania reduced its CO2 emissions by 33 percent between 2005 and 2018. The Pennsylvania

CO2 reductions are, in great part, the result of the increasing use of natural gas as the energy source for electricity generation in Pennsylvania.

For these reasons it is the position of PGCC, PIOGA and PIPP that there is no demonstrated need to reduce the amount of CO2 emissions by imposing emission fees upon natural gas-powered electricity generation in Pennsylvania. Indeed, the preceding facts show that natural gas is a remarkable and reliable energy source. The rationale to discourage the use of such a remarkable and reliable energy source via the imposition of CO2 emission fees has not been demonstrated.

Sincerely,
PGCC, PIOGA and PIPP

Arthur Stewart, PGCC representative to CDAC

Joe Thompson, PGCC representative to CDAC

Burt Waite, PIOGA representative to CDAC

Dave Ochs

Dave Ochs, PIOGA representative to CDAC

Mark Cline, PIPP representative to CDAC

Dave Hill, PIPP representative to CDAC

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