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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 2275 Session of  
2024

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INTRODUCED BY ABNEY, HOWARD, SCHLOSSBERG, HOHENSTEIN, MALAGARI, SAPPY, HILL-EVANS, FIEDLER, DONAHUE, KRUEGER, D. WILLIAMS, OTTEN, DALEY, CEPEDA-FREYTIZ, BENHAM, GIRAL, KENYATTA, ROZZI, TAKAC, ISAACSON, PASHINSKI, PROKOPIAK, DELLOSO, FRANKEL, WAXMAN, KIM, GUENST, SALISBURY, BRIGGS, SHUSTERMAN, WEBSTER, YOUNG, SIEGEL, KRAJEWSKI, HADDOCK, CONKLIN, MUNROE, McNEILL, SANCHEZ, DAWKINS, O'MARA, KHAN, FRIEL, N. NELSON, PIELLI, KINKEAD, SCOTT, BOYD, BRENNAN, MULLINS, SCHWEYER, STEELE, MADDEN, McCLINTON, FREEMAN, BRADFORD, HARRIS AND BIZZARRO, MAY 8, 2024

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REFERRED TO COMMITTEE ON CONSUMER PROTECTION, TECHNOLOGY AND UTILITIES, MAY 8, 2024

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AN ACT

1 Establishing the Pennsylvania Climate Emissions Reduction  
2 Program; imposing powers and duties on the Environmental  
3 Quality Board, the Pennsylvania Public Utility Commission and  
4 the Department of Environmental Protection; and establishing  
5 the Consumer Protection Account, the Pennsylvania Energy  
6 Transformation Account, the Workforce Enhancement Fund, the  
7 Workforce Enhancement Fund Board and the Low-income Support  
8 Account.

9 The General Assembly of the Commonwealth of Pennsylvania

10 hereby enacts as follows:

11 Section 1. Short title.

12 This act shall be known and may be cited as the Pennsylvania  
13 Climate Emissions Reduction Act.

14 Section 2. Findings and purpose.

15 The General Assembly finds and declares as follows:

16 (1) The Governor established a working group in April

1 2023 to evaluate the merits of Pennsylvania's membership in  
2 the Regional Greenhouse Gas Initiative and to consider  
3 proposed alternatives to that membership.

4 (2) The working group was comprised of representatives  
5 of organized labor, environmental stakeholders and the energy  
6 industry, including fuel production, electric utilities,  
7 fossil fuel and nuclear generation and consumer advocates.

8 (3) The working group was charged with ensuring that any  
9 recommendation be developed to protect and create energy  
10 jobs, take real action to address climate change and ensure  
11 reliable, affordable power for Pennsylvania's consumers over  
12 the long term.

13 (4) The working group found that:

14 (i) Reducing greenhouse gas emissions in this  
15 Commonwealth is necessary.

16 (ii) A cap-and-invest carbon regulation for the  
17 power sector that generates revenue to support this  
18 Commonwealth's energy transition would be the optimal  
19 approach for this Commonwealth.

20 (iii) A cap-and-invest program should include  
21 policies and investment strategies which help avoid any  
22 potential emissions leakage, higher localized pollution,  
23 increased energy costs and job loss.

24 (5) The purpose of this act is to establish this  
25 Commonwealth as an energy leader by authorizing a  
26 Pennsylvania-run cap-and-invest program.

27 (6) Upon the establishment of a Pennsylvania-run cap-  
28 and-invest program, this Commonwealth shall not participate  
29 in any other carbon auction addressing emissions from the  
30 electric generation sector unless specifically authorized by

1 act of the General Assembly.

2 Section 3. Definitions.

3 The following words and phrases when used in this act shall  
4 have the meanings given to them in this section unless the  
5 context clearly indicates otherwise:

6 "Board." The Environmental Quality Board.

7 "Commission." The Pennsylvania Public Utility Commission.

8 "Department." The Department of Environmental Protection of  
9 the Commonwealth.

10 "Environmental justice area." A geographic area  
11 characterized by increased pollution burden, and sensitive or  
12 vulnerable populations based on demographic and environmental  
13 data as identified by the department.

14 "PACER." The Pennsylvania Climate Emissions Reduction  
15 Program established under this act.

16 "Regulatory Review Act." The act of June 25, 1982 (P.L.633,  
17 No.181), known as the Regulatory Review Act.

18 Section 4. Pennsylvania Climate Emissions Reduction Program.

19 (a) Establishment.--The Pennsylvania Climate Emissions  
20 Reduction Program is established within the department for the  
21 purpose of implementing a Pennsylvania-run CO<sub>2</sub> Budget Trading  
22 Program.

23 (b) Pennsylvania-run auction.--Notwithstanding 25 Pa. Code §  
24 145.401(a) (relating to auction of CO<sub>2</sub> allowances), the  
25 department shall conduct a Pennsylvania-run auction in  
26 accordance with 25 Pa. Code § 145.401(b).

27 (c) Implementation and administrative support.--The  
28 department may delegate implementation and administrative  
29 support functions for any CO<sub>2</sub> allowance auction conducted under  
30 25 Pa. Code §§ 145.401 through 145.409 (relating to approval of

1 auction results) to an agent qualified to conduct auctions  
2 provided that the agent performs all functions under the  
3 direction and oversight of the department.

4 (d) Compliance.--Notwithstanding subsection (c), the  
5 department shall:

6 (1) Retain its authority to enforce compliance with 25  
7 Pa. Code Ch. 145 Subch. E (relating to CO<sub>2</sub> Budget Trading  
8 Program) except as otherwise provided in this act.

9 (2) Retain control over the proceeds associated with the  
10 sale of Pennsylvania CO<sub>2</sub> allowances.

11 (3) Deposit the proceeds in accordance with section 7.

12 (e) Other states.--

13 (1) Allowances issued by the Pennsylvania-run auction  
14 conducted in accordance with subsection (b) may be offered  
15 for compliance purposes in another state if permitted by the  
16 laws of that state.

17 (2) Allowances issued by another cap-and-invest program  
18 shall be accepted by the department for compliance with PACER  
19 if the department determines that the CO<sub>2</sub> emissions  
20 represented by an allowance issued by another program are  
21 approximately equal to or greater than the CO<sub>2</sub> emissions  
22 represented by an allowance issued by PACER.

23 (f) Auction participation and monitoring.--

24 (1) Notwithstanding any other provision of law, only the  
25 following categories of parties shall be eligible to  
26 participate in Pennsylvania-run auctions conducted under this  
27 act:

28 (i) The owner or operator of an electricity  
29 generator with a nameplate capacity equal to or greater  
30 than 25 megawatts electrical.

- 1 (ii) A broker.  
2 (iii) A financial or investment institution.  
3 (iv) A market participant as specified in the notice  
4 of a Pennsylvania-run auction.

5 (2) A nonprofit entity shall be ineligible to  
6 participate in Pennsylvania-run auctions.

7 (3) The department shall select an independent market  
8 monitor, such as a certified public accounting firm or  
9 similar entity, to observe the conduct and outcome of each  
10 auction and the independent market monitor shall issue a  
11 report to the department in accordance with professional  
12 auditing standards addressing whether the auction was  
13 conducted in accordance with all statutory and regulatory  
14 requirements and whether there was any indication of  
15 collusive behavior among auction participants or attempts at  
16 market manipulation that impacted the results of the auction.

17 (4) The department may prohibit an otherwise qualified  
18 party from participating in a Pennsylvania-run auction under  
19 this act if the department determines that conduct by the  
20 party could compromise the integrity of the Pennsylvania-run  
21 auction.

22 Section 5. PACER emissions budget.

23 (a) Review.--

24 (1) Within 120 days of the effective date of this  
25 paragraph, the department shall review the Pennsylvania CO<sub>2</sub>  
26 Budget Trading Program base budget established in 25 Pa. Code  
27 § 145.341 (relating to Pennsylvania CO<sub>2</sub> Budget Trading  
28 Program budget base) and consider the impact of the base  
29 budget on jobs, consumers and the environment to determine  
30 whether revisions to the base budget are needed.

1           (2) In evaluating the impact of the base budget on jobs,  
2 the department shall consider available studies regarding the  
3 impact of a PACER emission budget on energy-related  
4 employment and shall consult with representatives of  
5 organized labor.

6           (3) In evaluating the impact of the base budget on  
7 consumers, the department shall consider available economic  
8 modeling regarding the impact of a PACER emission budget on  
9 costs, if any, passed on to consumers, and shall consult with  
10 the Consumer Advocate of the Commonwealth and advocates for  
11 low-income Pennsylvanians and representatives of large energy  
12 users.

13           (4) In evaluating the impact of the base budget on the  
14 environment, the department shall consider available studies  
15 and modeling regarding the impact of a PACER emission budget  
16 on emissions and compliance with existing and proposed  
17 Federal regulations of new and existing power plants, as well  
18 as the impacts on vulnerable communities, and shall consult  
19 with representatives of environmental nonprofit  
20 organizations, environmental justice advocates, academic  
21 institutions and the electric industry.

22           (b) Revisions.--If the department determines that revisions  
23 to the base budget are needed, the department shall recommend a  
24 revised PACER emissions budget to the board.

25           (c) Final omitted regulation.--The board may promulgate a  
26 final-omitted regulation under the Regulatory Review Act to  
27 amend 25 Pa. Code § 145.341 and adopt a PACER emissions budget  
28 as recommended by the department under this section.

29           (d) Set-aside allocations.--The department shall retain  
30 allowance set-aside allocations, including the waste coal

1 allowance set-aside, and the combined heat and power allowance  
2 set-aside, in no less than the amounts specified in 25 Pa. Code  
3 § 145.342 (relating to CO<sub>2</sub> allowance allocations).

4 Section 6. Prohibition.

5 Notwithstanding any other provision of law, after the  
6 effective date of the regulation adopting a PACER emissions  
7 budget in accordance with section 5, the department is  
8 prohibited from joining or participating in a CO<sub>2</sub> allowance  
9 auction addressing emissions from the electric generation sector  
10 other than the Pennsylvania-run program established by this act,  
11 unless an act of the General Assembly enacted after the  
12 effective date of this section specifically authorizes such  
13 joinder or participation.

14 Section 7. Deposit of auction proceeds from PACER.

15 (a) General rule.--The auction proceeds authorized and  
16 collected under section 4 shall be deposited into the State  
17 Treasury as follows and may not be expended except as provided  
18 in this section:

19 (1) Seventy percent of the auction proceeds shall be  
20 deposited into the Consumer Protection Account established  
21 under subsection (b).

22 (2) Ten percent of the auction proceeds shall be  
23 deposited into the Pennsylvania Energy Transformation Account  
24 established under subsection (c).

25 (3) Ten percent of the auction proceeds shall be  
26 deposited into the Workforce Enhancement Fund established  
27 under subsection (d).

28 (4) The balance of the auction proceeds shall be  
29 deposited into the Low-Income Support Account established  
30 under subsection (e).

1 (b) Consumer Protection Account.--

2 (1) The Consumer Protection Account is established in  
3 the General Fund. The money in the Consumer Protection  
4 Account is appropriated on a continuing basis to the  
5 commission for the purpose of paying rebates to electric  
6 ratepayers calculated on a per-kilowatt-hour basis.

7 (2) The commission shall promulgate a final-omitted  
8 regulation under the Regulatory Review Act to establish a  
9 system under which money from the Consumer Protection Account  
10 is payable to electric ratepayers, including customers of  
11 electric cooperative corporations, as direct credits on their  
12 electric bills.

13 (3) The commission shall require that entities receiving  
14 payment from the Consumer Protection Account on behalf of  
15 ratepayers provide the amount of the direct credit on a line  
16 on each customer's bill with the title "PACER Bill Credit."

17 (c) Pennsylvania Energy Transformation Account.--

18 (1) The Pennsylvania Energy Transformation Account is  
19 established in the General Fund. The money in the  
20 Pennsylvania Energy Transformation Account is appropriated on  
21 a continuing basis to the department for administering PACER  
22 and for grant programs to support projects that eliminate air  
23 pollution and for other purposes authorized under this  
24 subsection. No less than 40% of money in the account shall be  
25 allocated to projects located in environmental justice areas.

26 (2) Eligible projects for the grant program shall  
27 include:

28 (i) Cost-effective carbon capture utilization and  
29 storage.

30 (ii) Abandoned oil and gas well plugging.



- 1 (iii) Mass transit and electric vehicle
- 2 transportation.
- 3 (iv) Agricultural conservation.
- 4 (v) Forest stewardship.
- 5 (vi) Process electrification.
- 6 (vii) Fuel switching.
- 7 (viii) Combined heat and power.
- 8 (ix) Demand response and reduction.
- 9 (x) Energy efficiency, including HVAC and building
- 10 envelope improvements.
- 11 (xi) Cost-effective carbon capture utilization and
- 12 storage.
- 13 (xii) Clean and renewable energy investments,
- 14 including, but not limited to, biomass, geothermal,
- 15 hydropower, energy storage and solar and wind
- 16 technologies.
- 17 (xiii) Projects that contribute to the reduction or
- 18 elimination of greenhouse gas pollution.

19 (3) The department may enter into a memorandum of  
20 understanding with the Department of Community and Economic  
21 Development to allocate money available under this subsection  
22 to the State Weatherization Assistance Program.

23 (4) Up to 5% of the unencumbered and uncommitted balance  
24 of the account may be used for the department's costs to  
25 administer PACER. The department shall submit to the Governor  
26 each fiscal year, for approval or disapproval, estimates of  
27 the amount of money to be expended from the account for  
28 administration of PACER as part of the department's annual  
29 budget request in accordance with Article VI of the act of  
30 April 9, 1929 (P.L.177, No.175), known as The Administrative

1 Code of 1929.

2 (5) The State Treasurer may not issue a warrant for  
3 payment from the account for the purpose described in  
4 paragraph (4) in excess of the amount approved by the  
5 Governor under paragraph (4).

6 (6) The department shall submit an annual report to the  
7 General Assembly related to the projects under this  
8 subsection, including information on the projects located in  
9 environmental justice areas and the percentage of the account  
10 used for the projects.

11 (d) Workforce Enhancement Fund.--

12 (1) The Workforce Enhancement Fund is established as a  
13 nonlapsing fund in the State Treasury for energy projects.  
14 All interest earned from the investment or deposit of money  
15 accumulated in the Workforce Enhancement Fund shall be  
16 deposited into the fund for the same use. All money deposited  
17 into the Workforce Enhancement Fund shall be held in trust,  
18 shall not be considered general revenue of the Commonwealth,  
19 shall be used only to effectuate the purposes of this  
20 subsection, as determined by the Workforce Enhancement Fund  
21 Board, and shall be subject to audit by the Auditor General.  
22 The money in the fund is appropriated on a continuing basis  
23 to the department.

24 (2) A grantee awarded money under this subsection must  
25 pay at least the prevailing wage rate for workers on the  
26 project.

27 (3) No less than 40% of money in the fund shall be  
28 allocated to projects located in environmental justice areas.

29 (4) The money in the fund may be used for grant programs  
30 to support energy investments, including, but not limited to,

1 the following:

2 (i) Projects to identify new uses for legacy coal  
3 and natural gas sites such as small modular reactor  
4 development and construction, geothermal, battery  
5 storage, natural gas with carbon capture and  
6 manufacturing.

7 (ii) Projects to advance carbon capture utilization  
8 and storage technology, including development and  
9 deployment at existing facilities and sites.

10 (iii) Clean hydrogen production, consumption and  
11 electric generation project development.

12 (iv) Solar projects, particularly rooftop solar, on  
13 schools and warehouses and community solar.

14 (v) Methane well capping and capture projects.

15 (vi) Establishment of training programs to ensure  
16 workers are local and plugging is done to fully mitigate  
17 emissions.

18 (vii) Projects to improve compliance with Federal  
19 and State environmental requirements at existing  
20 generating units, including control technology to reduce  
21 air emissions.

22 (5) The Workforce Enhancement Fund Board is established  
23 and shall administer the fund for the purposes specified  
24 under this subsection.

25 (6) The Workforce Enhancement Fund Board shall consist  
26 of the following members:

27 (i) The Governor or a designee, who must be  
28 designated in writing prior to serving as designee.

29 (ii) The Secretary of Community and Economic  
30 Development or a designee who must be an employee of the

1 Department of Community and Economic Development and  
2 designated in writing prior to serving as designee.

3 (iii) The Secretary of Environmental Protection or a  
4 designee who must be an employee of the department and  
5 designated in writing prior to serving as designee.

6 (iv) The Secretary of Labor and Industry or a  
7 designee who must be an employee of the Department of  
8 Labor and Industry and designated in writing prior to  
9 serving as designee.

10 (v) Five members appointed by the Governor as  
11 follows:

12 (A) Four of which members must be chosen from a  
13 list of candidates recommended by the president of  
14 the Pennsylvania Building and Construction Trades  
15 Council and one of whom shall be designated as chair.

16 (B) One of which member must be the executive  
17 director or a member of the State Workforce  
18 Development Board.

19 (vi) One member appointed by the President pro  
20 tempore of the Senate.

21 (vii) One member appointed by the Minority Leader of  
22 the Senate.

23 (viii) One member appointed by the Speaker of the  
24 House of Representatives.

25 (ix) One member appointed by the Minority Leader of  
26 the House of Representatives.

27 (7) Initially, the appointees under paragraph (6)(v),  
28 three members shall be appointed for terms of two years and  
29 two members shall be appointed for terms of four years. The  
30 terms of their successors shall be four years each, except

1 that any person appointed to fill a vacancy shall serve only  
2 for the unexpired term. A member's term shall extend until  
3 the member's successor is appointed and qualified. An  
4 appointed member of the board shall be eligible for  
5 reappointment.

6 (8) The board shall hold its first meeting within 90  
7 days of the effective date of this paragraph.

8 (9) The members of the board may not be compensated for  
9 service as members but shall be entitled to reimbursement for  
10 all necessary expenses incurred in connection with the  
11 performance of their duties as members. Reimbursements shall  
12 be allocated from money available from the fund established  
13 under this subsection.

14 (10) The board shall provide for the holding of regular  
15 and special meetings at least biannually at the call of the  
16 chair. Seven members shall constitute a quorum for the  
17 transaction of any business and a majority of the members  
18 present shall be required to adopt any action.

19 (11) The board has the power and duty, including, but  
20 not limited to:

21 (i) Adopt bylaws, if necessary.

22 (ii) Make, execute and deliver contracts and grant  
23 agreements.

24 (iii) Develop, within one year of its establishment  
25 and biennially thereafter, a State plan for the  
26 availability and distribution of money from the fund  
27 established under this section. The board shall make the  
28 State plan available on its publicly accessible Internet  
29 website.

30 (iv) Administer and award grants from the fund to

1 eligible energy community projects and monitor the  
2 expenditure of money in the fund.

3 (v) Perform other operational activities necessary  
4 or appropriate to further the purpose of this section.

5 (vi) Submit an annual report to the General Assembly  
6 detailing grant programs, activities and outcomes. The  
7 annual report shall include information on the projects  
8 located in environmental justice areas, including the  
9 percentage of the fund used for such projects.

10 (12) Administrative support for the board shall be  
11 provided by the Department of Labor and Industry.

12 (13) The following acts shall apply to the board:

13 (i) The act of July 19, 1957 (P.L.1017, No.451),  
14 known as the State Adverse Interest Act.

15 (ii) The act of February 14, 2008 (P.L.6, No.3),  
16 known as the Right-to-Know Law.

17 (iii) The provisions of 65 Pa.C.S. Chs. 7 (relating  
18 to open meetings) and 11 (relating to ethics standards  
19 and financial disclosure).

20 (e) Low-Income Support Account.--The Low-Income Support  
21 Account is established in the General Fund. Money deposited into  
22 the Low-Income Support Account shall be used, in accordance with  
23 law, to supplement Low Income Home Energy Assistance Program  
24 grants or other grants that provide cooling assistance for  
25 eligible customers who seek financial resources to cover cooling  
26 expenses.

27 Section 8. Effective date.

28 This act shall take effect immediately.