energy API

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Testimony of Steve Guveyan, Connecticut Petroleum Council
Opposing Certain Sections of SB-10 & HB-5350
March 5, 2020

SB-10, Climate Change Legislation

The Connecticut Petroleum Council/ API is a trade association of over 600 companies that include: oil & natural gas producers, refiners, pipelines, service providers and others that take a market-based approach to energy supplies.

SB-10 bars the use of natural gas (and fuel oil back-up) in the power sector after 1/1/40 and goes *far beyond* Governor Lamont's Executive Order #3 which only calls for DEEP, in consultation with PURA, to……. "analyze pathways and recommend strategies for achieving a 100% zero carbon target for the electric sector by 2040." Executive Order #3 does *not* call for a ban on power market carbon sources *(e.g.* natural gas) by 2040 as mandated by SB-10, which omits *any* pathways or strategies for reaching the 100% zero-carbon target as required by the Order. As written SB-10 is a straight-out ban bill and leaves no room for allowing new technologies such as carbon capture, use and storage (CCUS). We recommend deleting the zero-carbon requirement and amending the bill to allow for new carbon-capturing technologies.

Connecticut has a demanding greenhouse gas (GHG) emissions reduction law on the books (P.A. 08-98, amended by HB-5600 in 2008 requiring an 80% reduction in GHG's by 2050, and then again in 2018 by P.A. 18-82 imposing a new near-term mandate for a 45% reduction in GHG's by 2030.) The 2008 law gave all parties a clear, detailed and far-reaching time frame (2050) so they could better plan. SB-10 "moves the goalposts" significantly by requiring the electricity-producing power sector to meet a 100% zero-carbon GHG level by 2040 [Sec.2 (3)]---adding a new sector-specific zero-carbon requirement for the power sector, and also adding a tighter timeframe (2040) which the original law didn't contain because it was impractical.

Moving the goalposts is significant: major energy projects need long-lead times because they require enormous changes in infrastructure. Connecticut energy policy in 2013 (the "Comprehensive Energy Strategy, or CES)") called for *increasing* the use of natural gas, which SB-10 now seeks to *ban* in the power sector twenty years from now, despite an updated DEEP CES (dated 2/2/2018) in which the agency says that a 40% Class I Renewable Portfolio Standard requirement by 2030 is "an ambitious trajectory for Class I resources at this time, particularly when combined with the phase down of biomass described in…..this strategy." The 2018 CES further states (p. 14) that Connecticut should "support ISO-NE in improving regional winter natural gas generation fuel security and reliability" ---a policy which is being thrown out the window if SB-10 passes as drafted. If a 2030 40% Class I requirement was considered "ambitious" only 2 years ago, a 2040 100% carbon-free electricity grid requirement only 2 years later is not just "ambitious," but strains credibility. Natural gas is an abundant, affordable, low-

carbon energy resource available from nearby Pennsylvania, West Virginia and Ohio, and demand for it in the Northeast states is very strong. Its use should be continued because it serves as a complement to renewables which don't provide the reliability consumers require and rely on.

Finally, *costs to the consumer* need to be a priority. SB-10 makes almost no mention of costs and does not require a cost-benefit analysis' comparing 100% carbon-free electricity to other options; its inclusion would provide transparency regarding costs of all available options. The 3 southern New England states have the highest electricity costs in the lower 48 states---this bill could likely add to Connecticut's already-high cost-burden.

In summary, the use of natural gas in the power sector should be allowed to continue, so long as power plant operators meet the requirement of the original 2008 GHG reduction law requiring an 80% cut in emissions by 2050. Any shortening of that time frame makes it less likely that consumers will be able to afford the cost of electricity.

HB-5350, Natural Gas Infrastructure

Our objection to HB-5350 is that it eliminates DEEP's ability to issue solicitations for new interstate natural gas pipeline capacity [Sec. 4 (d)] and enter into long-term contracts for that capacity [Sec. 5(g)]. Both provisions are allowed under current law. HB-5350 also potentially reduces the "hurdle rate" [Sec. 2(d)], thereby making additional natural gas hook-ups less likely. *HB-5350, when read alongside SB-10* (which only allows zero-carbon resources for electricity production after January 1, 2040), *makes clear these bills substantially discriminate against natural gas, making growth in the natural gas market almost impossible---even though there is strong demand for it in Connecticut and the region.*

Energy policy requires a balanced approach, carefully weighing the energy, environmental and energy security aspects of any fuel mix. Barring natural gas pipelines in the future is inadvisable because all fuel sources are needed, and no one can predict the future. According to electricity grid operator ISO-NE, nearly half of the region's electric generating capacity uses natural gas as its primary fuel. Says ISO-NE: "*Until electric storage or other technologies have the ability to supply quick energy for longer periods and in greater quantities, flexible natural-gas resources are a necessary element of the hybrid grid, not only to help supply the "missing energy" when the weather is uncooperative for wind and solar resources, but also to provide the precise grid-stability and reliability services that renewables generally cannot.*"

In short, renewables and natural gas are complementary resources: renewables provide zero-carbon electricity, and natural gas supplies the reliability, affordability and "instant-on" capability that renewables do not. Natural gas pipelines may be needed as additional coal- and oil-fired plants retire in the years ahead, therefore, we strongly recommend that the "pipeline option" currently allowed under existing law remain in the statute. No one can predict the future: in 2011 after the nuclear accident in Fukushima, Japan was unprepared for an energy-short electricity grid. Today, Japan is now building 22 new coal plants (New York Times, February 3, 2020) because it does not have the natural gas infrastructure to replace nuclear generation. We

recommend the existing statute stay as is, and the language barring future interstate natural gas pipeline capacity procurements be eliminated from the bill.

HB-5350 also potentially reduces the hurdle rate, which means the existing 25-year time period which natural gas companies use to recover their costs from new customers could be reduced to a "time uncertain." If this recovery period is shortened, then customers who want natural gas---residential, commercial, industrial, municipal, non-profit---may find it financially cost-prohibitive to connect to new natural gas lines, thereby denying them the right to an affordable, abundant, low-carbon fuel. We recommend that Sec. 2(d) be eliminated from the bill.

An All-of-the Above Approach to Energy Supply Works Best.

Natural gas, LNG, renewables, nuclear and oil are all needed. Yes---even oil is critical, evidenced by the brutal January 2018 cold snap when 2 million barrels were used in New England's power sector within 15 days in order to keep the lights on. Over the course of a year, oil accounts for roughly 1% of the power generation mix in New England, but averaged 27% during the cold spell, proving to be a superb shock-absorber when weather gets abnormally cold. In short, all fuels are needed, and no fuel source as critical as natural gas should be barred from competing or expanding as this bill proposes to do. Natural gas has a much lower greenhouse gas emissions profile than coal or oil, and therefore should be a primary, long-term fuel-of-the-future. This especially true since the U.S. has abundant supplies and costs have been low. In 2012, former President Obama said we have nearly a 100-year supply in the U.S., and much more has been found since then. In short, the U.S. is a natural gas powerhouse, and its use as a fuel has helped the U.S. reduce the amount of oil we import from the Middle East.

In 2011, during winter storm Alfred, over 800,000 residents were without power, some for as long as 11 days, but South Windsor (CT) high school was able to use a fuel-cell system that ran on natural gas and supplied itself with electricity and heat during the power outage. It provided shelter for about 200 people to sleep each night and served 600 hot meals over the course of the 3-day storm.

There is Very Strong Demand for Natural Gas in New England.

The need for more natural gas can be found in reports from electricity grid operator ISO-NE, the New England Coalition for Affordable Energy and others. There is plenty of gas in Pennsylvania, Ohio and West Virginia, but there is not nearly enough pipeline capacity to deliver it. Big end-users that that can burn either heating oil or natural gas---so called "dual-fuel customers"---have a particularly sharp need for more natural gas: they get knocked off the system when cold snaps hit because there just isn't enough pipeline space to accommodate their needs. During the 2018 cold spell, natural gas prices in New England were the highest in the country---a sure-fire sign more pipeline capacity is needed. Sec. 4(d) and Sec. 5(g) of this bill not only prevent Connecticut from contracting for more interstate natural gas pipelines: it also bars other New England states from receiving natural gas from the Marcellus Shale in Pennsylvania because Connecticut is the gateway to the rest of New England.

Thank you for taking our testimony.