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Via Electronic Mail to valerie.gray@delaware.gov

Re: <u>Sierra Club Comments on Delaware's CO2 Budget Trading Program</u>

The Sierra Club, on behalf of its over 2,100 members across Delaware, along with Clean Energy USA, the League of Women Voters of Delaware, Citizens' Climate Lobby Delaware, the Mid-Atlantic Alliance for Climate and Health, Working Families Power, Solar Energy Coalition, and CMI Solar & Electric (collectively, Commenters) submit the following comments in support of Delaware's CO2 Budget Trading Program. The Regional Greenhouse Gas Initiative (RGGI) is a critical program, and there are several key reasons for supporting it in Delaware. Namely, RGGI, and the in-state programs funded by RGGI:

- Strengthen our state's ability to ensure strong environmental and public health protections from some of our most polluting industries;

- Contribute nearly 12,000 jobs to Delaware's local economy in the energy efficiency and clean-energy sectors;[1]
- Reduce energy demand and fund programs to lower energy costs for Delaware residents and businesses; and
- Help us ensure a healthier, cleaner Delaware for future generations.

As demonstrated further in comments below, Commenters support Delaware's CO2 Budget Trading Program.

Strengthening Public Health and Environmental Protection

RGGI is a landmark program aimed at reducing carbon dioxide emissions from fossil fuel electric generators. Since its inception, RGGI has proven to be effective in reducing emissions while simultaneously driving investment in energy efficiency and clean energy projects. **Research has consistently shown a direct correlation between cleaner air and better health. By continuing to support RGGI, we are investing in a healthier future for Delawareans.** Air quality improvements can reduce respiratory ailments, cardiovascular diseases, and other serious health issues that burden our healthcare systems.

While the focus of the RGGI program is the reduction of carbon dioxide through a cap-and-invest mechanism, it is also important to note the reduction of air pollution stemming from decreased demand, investments in the existing generation fleet to reduce emissions, and an increase in regional cleaner power generation. As we install technologies on the existing fleet of generation assets in the region to reduce CO2, lower our overall energy demand, and build additional clean power generation resources, we also see a dramatic decrease in co-pollutants, namely nitrogen oxides and sulfur dioxide. From 2008 to 2019, by reducing pollution from power plants through investments in cleaner technologies and demand reduction, **RGGI has saved states $5.7 billion in healthcare and productivity-related costs by reducing co-pollutants.**[2]

This not only helps reduce costs for states, residents, and our economy overall, but reducing pollution near power plants also helps achieve our environmental justice goals as well. It has been shown that environmental justice communities are disproportionately impacted by pollution from power plants sited near residential communities. This has been shown to be correlated with higher instances of asthma, cardiovascular disease, and premature death.[3] (Nature, 2022). By reducing co-pollutants in these communities by controlling pollution from legacy and new power plants within the RGGI footprint, we are directly supporting efforts to

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[1] *See* U.S. Department of Energy, State Reports (2025), figs. DE-1, DE-4, *available at* https://www.energy.gov/documents/2025-useer-state-reports.

[2] *See* Acadia Center, The Greenhouse Gas Initiative: 10 Years in Review, at 10, *available at* https://acadiacenter.org/wp-content/uploads/2019/09/Acadia-Center_RGGI_10-Years-in-Review_2019-09-17.pdf.

[3] *See, e.g.*, L. Cushing et al., Nature Energy, "Historical red-lining is associated with fossil fuel power plant siting and present-day inequalities in air pollutant emissions," (Dec. 15, 2022), *available at* https://www.nature.com/articles/s41560-022-01162-y.

improve health outcomes in communities that have borne the brunt of air pollution from power generation.

Economic Growth and Job Creation

Delaware's participation in RGGI not only helps combat climate change but also stimulates our economy. According to the State Energy Utility (SEU), since 2017, funds generated from RGGI auctions have financed more than $26.4 million in residential energy efficiency and solar loans and another $54 million in commercial loans since 2015.[4] These projects create jobs, support local businesses, and reduce energy costs for homeowners and commercial entities. **Between 2008 and 2021, economic growth per capita increased 50% in the nine RGGI states, 13% higher than the rest of the country.**[5]

Last year, RGGI provided over $56 million in funding to Delaware, supporting weatherization and low-income energy assistance programs, residential and commercial renewable energy projects, energy efficiency upgrade programs, research on hydrogen and other technologies, and much more. According to the SEU, to date, over 72,000 households and about 2,000 businesses have benefited from these initiatives, resulting in significant reductions in air pollution, improving public health outcomes, creating thousands of jobs here in Delaware, and reducing energy costs for all ratepayers. In fiscal year 2025, approximately $14 million in RGGI funds were used for commercial energy efficiency and renewable energy projects in Delaware. For example, many local farmers, particularly in the poultry sector, have benefited dramatically from RGGI-funded programs that help them invest in energy-efficient technologies and solar to offset their energy costs. By assisting local industry with clean energy solutions, we are facilitating economic growth rather than hindering it. Additionally, RGGI funding, coming through Energize Delaware, our state's SEU, is stepping in to help reduce costs today, as farmers' costs are surging due to global conflicts disrupting the supply chains on which local farms depend.

Furthermore, energy efficiency measures supported by RGGI not only reduce consumers' utility bills but also contribute to a more resilient economy. **Every dollar spent through RGGI programming returns more than $3 in energy savings for ratepayers.** This multiplier effect means that funds are effectively reinvested in our communities, creating a robust cycle of economic activity that benefits Delawareans every day in the First State.

Dispelling Myths:

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[4] *See* Energize Delaware, Annual Report 2025, *available at* https://www.flipbookpdf.net/web/site/afcb592bf495ee60b413527430a15c2c0aad2b6dFBP31390135.pdf.html#page/1; Energize Delaware, Consolidated Financial Statements and Independent Auditor's Report (June 2025) at 17, *available at* https://energizedelaware.org/wp-content/uploads/2025/11/Sustainable-Energy-Utility-Inc.-Issued-Consolidated-Financial-Statements.pdf.

[5] *See* Acadia Center's Findings and Recommendations for the Third RGGI Program Review (April 2023) (hereinafter "Acadia Center Third Program Review"), *available at* https://acadiacenter.wpenginepowered.com/wp-content/uploads/2023/04/AC_RGGI_2023_Layout_R6.pdf

Why Leaving RGGI Would Not Decrease Rates

Since Delaware imports power from states that will remain in the program, **Delaware leaving RGGI would have no positive effect on electric bill savings**. In addition, we would face either eliminating programs like the Low Income Heating and Energy Assistance Program, the Weatherization Assistance Program, and many programs through the SEU, or filling the resulting over $56 million budget shortfall. Meanwhile, RGGI has helped to reduce electricity prices. According to the Acadia Center, from 2008 to 2021, electricity prices decreased by 3.2% in the RGGI states, even as they increased by 7.7% across the rest of the country.[6]

Additionally, given the complex nature of energy price setting, there is no evidence that RGGI is having a harmful impact on retail energy prices. The Independent Market Monitor, which oversees the PJM markets to ensure competition and compliance with federal regulations, has sought to examine the driving force behind rising energy prices in the PJM footprint. Part of that analysis was to quantify the impact of emissions regulations, fuel costs, congestion charges, and other factors on wholesale energy prices. The analysis examined the increase in load-weighted average LMP from January through March of 2025 to the same period in 2026 and found a $35.37 increase, or 67.7586%, in the assessment window. The analysis showed that all emission programs, of which RGGI is just a small part, contributed about $1.26 to the $35.37 increase, accounting for about 3.6% of the total increase. Meanwhile, rising fuel costs for fossil-fuel power plants accounted for $14.92, or 42.2% of the increase. When examining the cost of energy produced across the scenarios the Market Monitor showcased in its most recent State of the Market 2026 report, the costs that could be associated in part with RGGI paled in comparison to the rising costs of fossil fuel generation. This is in part due to the fact that, as the Market Monitor points out, less than 12% of the generation fleet bidding into the PJM energy markets is captured under RGGI regulations.

In addition to analyzing the drivers of LMP costs in PJM, the Market Monitor examined the impact that a carbon price, such as RGGI, would have specifically on energy costs in the PJM footprint. The Market Monitor found that, under current RGGI prices, in the last three of the last four auctions, the clearing prices would have had no net effect on LMP; and for the outstanding fourth auction, *the impact would be less than 1%*. Note that increases in LMP do not correlate to an increase in the total energy bill for consumers. Clearly, the increasing costs of energy and the corresponding impact on residential energy bills in the PJM footprint are being driven by fuel costs and demand increases, and not by state participation in the RGGI program.

What has been shown to have an outsized impact on energy prices in the PJM footprint is the combination of supply constraints and a rapid increase in demand from large energy users, such as data centers. Given that PJM was already facing historic supply constraints due to a years-long backlog in its interconnection queue, alongside industry-wide supply chain constraints stemming from the COVID pandemic, the surge in data center development could not have come at a worse time for the region in terms of energy prices.

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[6] *See* Acadia Center Third Program Review.

Adding to the issue, there have been a host of attacks on energy development across the country, particularly within the PJM footprint. The current presidential administration has sought to directly target "Democratic" states through the withholding of federal funding allocated under the Inflation Reduction Act. As reported by the Associated Press,

> The Trump administration has acknowledged in court documents that it canceled $7.6 billion in grants for hundreds of clean energy projects "based solely on the political identity of the grant recipient's state" — in this case, 16 states that voted for Democrat Kamala Harris in the 2024 presidential election.[7]

These cuts included projects across 3 states within the PJM footprint. In addition to the withholding of federal funds based on political ideology, the Trump administration has also sought to outright attack the development of offshore wind connecting into the PJM grid through bureaucracy and litigation. In total, the administration has stopped 8.7 gigawatts of wind power from connecting to the PJM grid.[8] They also tried to stop an additional 2.6 gigawatts in Virginia, but were prevented by the courts. All of this means less energy coming onto the grid when we need it the most, exacerbating the supply crisis we are currently experiencing and driving energy costs even higher for families across the PJM footprint.

The Market Monitor points to the increase in capacity auction costs as another driver of increasing energy bills in the PJM region and states that, "The current conditions in the capacity market are almost entirely the result of large load additions from data centers, both actual historical and forecast" (pg 51 2026 IMM Report). According to the Independent Market Monitor, by the end of 2025, Data center load drove up revenue in the PJM Interconnection's last capacity auction by $7.3 billion, or 82%, to $16.1 billion.[9] The first auction in 2026 saw prices surge even higher, reaching $16.4 billion.[10] These costs are payments made by ratepayers in PJM to power generators. However, due to the market rules put in place by PJM, it is predominantly fossil fuel generators who stand to benefit from the capacity auction. Indeed, according to InsideLines, an industry publication that tracks PJM market participation, the supply mix for the auction includes 46% coming from natural gas, 20% from nuclear, 18% from coal, and 2% from oil; meanwhile, only 5% came from demand response, 4% hydro, 2% wind,

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[7] Matthew Daly, The Associated Press, "Trump administration admits grants for clean energy were canceled based on politics," (July 24, 2026), *available at* https://apnews.com/article/trump-clean-energy-grants-chris-wright-09d26d615869ce06dd6bb2c047f636cb

[8] Specifically, the Administration has revoked federal construction approval for the 2.2 GW US Wind project in offshore Maryland, pulled the federal air permit for the 2.8 GW Atlantic Shores South project in New Jersey, cancelled the federal lease for the 1.3 GW Attentive Energy Two project in New Jersey, and entered into a buyout agreement to terminate the 2.4 GW Leading Light Wind project in New Jersey.

[9] *See* Ethan Howland, Utility Dive, "Data centers 'primary reason' for high PJM capacity prices: market monitor," (Oct. 2, 2025), *available at* https://www.utilitydive.com/news/data-centers-pjm-capacity-auction-market-monitor/801780/.

[10] *See* PJM, InsideLines, "PJM Capacity Auction Procures 138,318 MW of Generation Resources as Work Continues To Address Growing Electricity Demand," (July 14, 2026), *available at* https://insidelines.pjm.com/pjm-capacity-auction-procures-138318-mw-of-generation-resources-as-work-continues-to-address-growing-electricity-demand/.

and 1% from solar. This is revenue to primarily fossil fuel generators simply to exist and is on top of the revenue they generate from selling electricity in the PJM energy markets. This is an issue that is not likely to get better. In fact, the Natural Resources Defense Council has also done an in-depth and independent analysis of costs on ratepayers in the PJM footprint as a result of data center growth. They found that "PJM consumers will pay another $163 billion through 2033 as new data centers exceed available power supplies. By 2028, an average family in the region will be paying around $70 a month extra on their electricity bills because of forecasted data center growth."[11]

The Market Monitor also discusses the impact data centers are having on transmission infrastructure, requiring large-scale investments across the system, the costs for which are being shifted to all customers within the PJM footprint. This includes the $4.4 billion dollars approved across several states in 2024 that PJM ratepayers have already paid to cover costs related to transmission upgrades necessary to bring data centers online, as revealed in a report from the Union of Concerned Scientists.[12] This is an issue that is unlikely to abate in the future, as PJM expects its summer peak load to grow by 3.6% per year to about 222 GW by 2036, up from its previous 3.1% forecast. The increase totals about 65.7 GW over the next 10 years, according to reporting from Utility Dive.[13] As Delaware works to establish a framework for how the state can best meet the demands of projected data center load growth, it is vital that we reduce energy consumption through targeted investments in energy efficiency and demand-side management and by bringing new clean energy generation online. This, again, is where our continued participation in RGGI can play a pivotal role.

How RGGI Can Help Lower Costs

While data centers are increasing electricity demand, the programs funded by RGGI in Delaware are directly reducing energy consumption, helping the state reduce its reliance on out-of-state generation and the PJM energy and capacity markets. By reducing energy consumption through energy efficiency and demand-side management, such as deploying smart thermostats and other utility- or consumer-managed devices, we can lower our peak demand across the Delaware portion of the DPL transmission zone. It is through this reduction in peak demand, achieved by targeted investments of RGGI funds in energy efficiency, that we see many of the economic benefits to ratepayers from the RGGI program. Namely, demand reduction through these investments will help defer transmission upgrades and the subsequent decrease in costs allocated to the DPL transmission zone; defer distribution system upgrades; and reduce costs from PJM due to transmission congestion from excessive imports into the DPL

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[11] Tom Rutigliano, NRDC, "Building Data Centers Without Breaking PJM," (Sept. 30, 2025), *available at* https://www.nrdc.org/bio/tom-rutigliano/building-data-centers-without-breaking-pjm.

[12] *See* Union of Concerned Scientists, "Connection Costs - Loophole Costs Customers Over $4 Billion to Connect Data Centers to Power Grid," tbl. 1, *available at* https://www.ucs.org/sites/default/files/2025-09/PJM%20Data%20Center%20Issue%20Brief%20-%20Sep%202025.pdf?_sp=5fa003fe-c972-454d-98df-403b815221a3.1785443273483.

[13] *See* Ethan Howland, Utility Dive, "PJM trims near-term load forecast on stricter data center vetting, economic outlook," (Jan. 15, 2026), *available at* https://www.utilitydive.com/news/pjm-interconnection-load-forecast-data-centers/809717/.

zone during peak times. While transmission upgrades from data centers will still be necessary, as demand reductions are often focused on residential and commercial customers, appropriate cost allocation and state-level tariff provisions can contain data center transmission costs within the large load rate design.

This, however, is not the only way that RGGI on the net helps reduce costs for residential and commercial customers in Delaware. The investments made via RGGI funds include those in deploying more clean energy generation in Delaware, particularly distributed solar resources. These systems not only serve to reduce demand in much the same way that energy efficiency does for individual customers, but they also provide a net benefit to all customers, as shown in Delaware's recent value of solar study. In that study,[14] prepared in 2025, the Delaware Sustainable Energy Utility examined two scenarios and devised an analysis of the direct and societal benefits of distributed net-metered solar generation in the state. Net-metered solar is the primary type of solar system currently being subsidized via RGGI funds. The analysis found that under the previous 8% net metering cap, which was legislatively removed in 2026 in part due to the study results, the benefits to consumers outside of those who actually installed the system amounted to $1.4 billion in benefits, comprising $136 million in net direct (ratepayer) benefits and the full $1.2 billion in societal benefits.[15] The study also examined what would happen if we raised the cap to 18%. Under that scenario, the benefits to all consumers outside of the system owner amounted to $3.9 billion in total gross benefits over 10 years, present value, including $1.3 billion in direct benefits and $2.6 billion in societal.[16] While the study did not analyze the benefit of a full removal of the net metering cap, it was clear that the savings increase as solar penetration increases. Many of these direct benefits are attributable to the same savings that are incurred from demand reduction, including deferred investments in the distribution and transmission system and reduced peak demand and the subsequent reduction in imports of more expensive generation and congestion charges.

These investments in solar generation from RGGI also help address one of the primary drivers the independent Market Monitor identified when examining the increased LMP costs from January to March in 2025 versus 2026: rising fuel costs. Every megawatt of solar installed and produced in Delaware is one less megawatt of power that relies on increasingly expensive fuel as an input cost. Since Delaware has no natural gas, oil, or coal reserves, we rely on importing those fuels from across the region onto the peninsula in order to produce any electricity from in-state power plants that rely on those resources. As such, even if we are not importing electricity from power plants outside of the DPL transmission zone and produce that power here in Delaware, we still have to import the fuel necessary to produce that electricity. With these solar installations subsidized through RGGI-funded programs, we can produce that energy locally without the need to pay the premium required to import fuel or for the fuel itself.

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[14] *See* Gabel Associates, "Delaware Value of Solar: A Study of the Costs and Benefits of Net Metering," (April 30, 2025), (hereinafter "Value of Solar") *available at* https://www.flipbookpdf.net/web/site/c0c2b77e505352b90015ee6707dc0c6357b93828FBP31390135.pdf.html#page/1.

[15] Value of Solar at 48, fig. 30.

[16] Value of Solar at 42, fig. 22; 57.

In addition to providing funding to help homeowners and businesses finance solar and energy efficiency, Delaware also created a program this year for additional direct-bill assistance through the Delaware Energy Fund,[17] which was funded in part with RGGI dollars. Through this program, qualified families can receive $300 in direct energy assistance after going through a free energy audit. This not only empowers residents to become more energy efficient and reduce their demand on the system at no cost, but also helps prevent families from falling behind on their electric bills to the point of shut-off or collections. This is not only the right thing to do morally; it actually helps save other customers money in the long run. When individuals are unable to pay their electric bills, that debt is eventually added to the base rates that all ratepayers pay on their monthly bills. As such, this is another direct benefit from RGGI that helps reduce costs in the short term for individuals and for all ratepayers in the long term, which to date has totaled more than $11 million in the past year.

With the current presidential administration targeting for elimination clean energy investments in the United States, it is more important than ever that we maintain our commitments at the state and regional levels and work with our neighbors to promote new and innovative ways to reduce our emissions and grow our economies. RGGI is essential for achieving both these goals, offsetting federal divestment by investing in Delaware, and for reaching Delaware's climate and energy goals. The scientific consensus is clear: immediate action is necessary to mitigate the worst effects of climate change. **Our progress thus far has set a foundation, but retreating from established programs like RGGI would be a step backward.** The passage of the Climate Change Solutions Act (HB 99) in 2023 underscores our commitment to reducing greenhouse gas emissions by 50% by 2030 and reaching net-zero emissions by 2050. We must continue to persevere in our efforts to do our part to reduce our emissions and invest in Delaware to mitigate the coming impacts of climate change.

Sincerely,

/s/ Dustyn Thompson
Dustyn Thompson
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[17] *See* https://energizedelaware.org/delmarva-power-customer-relief-fund/.

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