



March 14, 2016

Hon. Kathleen H. Burgess  
Secretary to the Commission  
New York State Public Service Commission  
Agency Building 3  
Albany, NY 12223-1350

**RE: NGSA Comments on Proceeding on Motion of the Commission to  
Implement a Large-Scale Renewable Program and a Clean Energy  
Standard (CASE 15-E-0302)**

Dear Secretary Burgess:

The Natural Gas Supply Association<sup>1</sup> (NGSA) urges the New York State Public Service Commission (NYPSC) to allow market forces to establish a sustainable, cost effective path for carbon reduction instead of adopting the subsidy-style concepts discussed in the January 25, 2016 *Staff White Paper on Clean Energy Standard (Staff White Paper)*. The NYPSC should avoid introducing subsidy-style payments for specific sources of generation.

For example, the Zero Emission Credit (ZEC) would subsidize uneconomical nuclear facilities, resulting in higher consumer energy costs and distort the wholesale electricity market through “out-of-market” payments.

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<sup>1</sup> Established in 1965, NGSA encourages the use of natural gas within a balanced national energy policy, and promotes the benefits of competitive markets, thus encouraging increased supply and the reliable and efficient delivery of natural gas to U.S. customers.

Well-functioning markets are vital to the sound, cost-effective energy infrastructure investment that benefit New York energy consumers. As noted on page 27 of the *Staff White Paper*, “New York’s consumers have benefited from low natural gas prices, helping to lower both retail electric and [natural] gas utility bills.” In contrast, the ZEC would increase consumer energy costs. The *Staff White Paper* has failed to identify how any such payment would be transitioned to a longer term and more sustainable energy mix and how the payments might be adjusted as wholesale market conditions change. In addition, it is not clear that utility rates are a suitable mechanism for the payment of a subsidy that was “necessitated” by wholesale market conditions.<sup>2</sup> Moreover, because the ZEC proposal is targeted at two particular generating facilities, yet ignores another, it is subject to charges of discrimination.

NGSA is concerned that the ZEC would impact the operation and development of natural gas generation that is essential to underpinning intermittent renewable generation. Natural gas power generation facilitates greater use of intermittent renewable energy resources by maintaining reliability, and provides clean energy benefits in doing so. The Business Council for Sustainable Energy’s 2016 *Sustainable Energy in American Factbook*, published by Bloomberg New Energy Finance and available at [www.bcse.org](http://www.bcse.org), highlights the role that market forces and natural gas have played in the record decarbonization of the electric power sector. The Business Council for Sustainable Energy says it perfectly: Achieving climate objectives requires three things – energy efficiency, natural gas and renewable energy.

The path to affordable clean energy and economic opportunity begins at the New York doorstep. Natural gas and a well-functioning competitive market

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<sup>2</sup> *Hughes v. Talen Energy Mktg, LLC*, 753 F.3d 467 (4<sup>th</sup> Cir. 2014), *cert. granted*, 83 U.S.L.W. 3450, (U.S. Oct. 19, 2015) \*Nos. 14-614, 14-623).

will allow New York consumers to benefit from the technological advances in energy that are already positioned to differentiate the United States from the rest of the world. Over the last five years, Lower-48 marketed natural gas production levels have increased more than 25 percent and the U.S. has emerged as a world leader in natural gas production. Natural gas has positioned the U.S. to lead the world in cost-effective carbon emissions reductions. New York consumers must be afforded the same advantage.

While fuel diversity is always essential and smart, natural gas remains the most economically- and environmentally-sound power generation investment available today. Natural gas-fired electricity generation is essential to sustainable, cost-effective achievement of electric generation carbon reduction goals.

Proven by experience, greater use of natural gas for electricity generation has produced significant reductions in U.S. carbon emissions because, over its lifecycle, natural gas emits only about half the carbon dioxide of other fossil fuels when combusted, whether to make electricity, forge steel or provide heat. With these and additional advantages over other fuels in sulfur dioxide, mercury, nitrogen oxide and particulate matter emissions, natural gas is poised to become an even more important part of energy portfolios.

Market-driven natural gas consumption to generate electricity has already helped the U.S. achieve power sector carbon emissions reductions that were below 2005 levels. Considering the big picture, natural gas use reduces carbon dioxide emissions, the most prevalent greenhouse gas, and other pollutants.

The role that natural gas-fired electricity generation has played in achieving electricity generation carbon reduction objectives in New York is clear

and has been proven in the market. However, the paths to achieving further carbon reduction goals are varied and complex with cost-effective implementation hinging on a variety of factors. For instance, a viable implementation depends on a variety of intertwined factors including economic growth, the speed of technological breakthroughs, infrastructure development, local availability of renewable resources, regional electricity market structures, and decades of prior energy investments and policies. Even local weather patterns and energy load profiles are important variables.

The NYPSC can ensure that consumers benefit from competitive market signals. Cost-effective and sustainable implementation of an electricity generation carbon reduction goal requires the availability of compliant electricity resources, adequate affordable capital and workable investment plans.

Energy reliability and affordability will be at the heart of any long-term carbon reduction initiative. Achieving both depends on sound competitive market signals. The risk of market distortions that drive inefficient capital deployment is high when policies are changed. The following foundational principles are essential to preserving competitive market signals while achieving carbon reduction objectives:

1. **Maximize implementation flexibility** to allow carbon reduction goals to be achieved at the lowest long-term cost while minimizing the impact on future economic growth. Paths to achieving the carbon reduction goal vary. A viable compliance path in one state or region may be cost-prohibitive in another. Flexibility in the approach is key to affordability; while affordability is vital to sustainability. Allowing unique market circumstances to drive the lowest cost-compliance path will produce the most viable long-term outcome.

2. **Establish fuel-and technology-neutral financial incentives for carbon emissions reducing investments** so that carbon reduction programs evolve over time and respond to technological advances and changing economic conditions. If early action to reduce carbon emissions is rewarded or incentivized, it should not be technology specific. Consumers benefit when competitive market forces determine the best path for investment needed to achieve a goal.
3. **Foster the benefits and efficiencies that stem from market interdependencies** when clean energy programs are established. Markets are often interconnected regardless of state boundaries. Consumers benefit when policies recognize the value of operational interconnectedness. To facilitate the lowest long-term cost solution, these operational efficiencies and regional interdependencies must be maximized to reduce costs.

Long-term efficiency in any market stems from sound competitive market signals that deploy resources and capital to where they are needed and consequently valued. This drives both efficiency and technological innovation, which are perhaps the two biggest unknowns that will ultimately determine the consumer impact of carbon reduction objectives. It is imperative for New York energy consumers and economic health that competitive market forces be allowed to spur technological innovations and compliance solutions.

Importantly, economic growth and achievement of environmental objectives are successfully poised to work hand-in-hand. In addition to facilitating emissions reductions, natural gas is spurring economic revitalization. Consumption of natural gas in the U.S. industrial sector now exceeds pre-recession levels, indicating an economic revival of U.S. manufacturing. Consumer demand for natural gas has been steadily growing since 2009, and for all the right reasons: it is abundant, burns clean and it is affordable. Responding to natural gas supply growth, U.S. industry is expected to invest \$100 billion over



the next half decade to restart previously shuttered industrial facilities or expand approximately 100 new U.S. facilities in the fertilizer, steel, petrochemical and paper industries.<sup>3</sup> Access to abundant domestic natural gas has given U.S. industrial companies a competitive advantage over their global competition, leading to the resurgence of natural gas-intensive manufacturing in the United States and the creation of more jobs to construct and staff the resulting new and expanded industrial facilities.

There is more than enough natural gas to accommodate domestic consumers to the benefit of the economy and environment. If the 1966 natural gas resource estimate of 600 trillion cubic feet (TCF) had remained static, the U.S. would have run out of natural gas 10 years ago. Instead, estimates doubled by 2002 and in 2013 grew to nearly 2,400 TCF.

Clearly, plentiful natural gas is good news for New York energy consumers for a variety of economic and environmental reasons. It means lower greenhouse gas emissions, lower household energy bills, lower overhead costs for businesses, and lower costs for products as diverse as pantyhose and fertilizer.<sup>4</sup>

Growth in natural gas supplies, expansive natural gas delivery infrastructure, unrivalled natural gas storage capability, and robust natural gas commodity markets have facilitated increased use of natural gas by U.S. industry and utilities. There is little doubt that natural gas is paving the way for reduced

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<sup>3</sup> See NGSa 2014-2015 Winter Outlook available at <http://www.ngsa.org/download/FINAL%20Winter%20Outlook%20%2714-15%20Presentation.pdf>.

<sup>4</sup> See NGSa "Stuff of Everyday Life- Understanding the Uses of Natural Gas in Industrial Processes" issue paper illustrating consumer products made from natural gas available at <http://www.ngsa.org/download/issues/factsheets/the%20stuff%20of%20everyday%20life.pdf>.

carbon emissions from the electricity generation sector and manufacturing growth. **Achievement of climate objectives and economic revitalization can and should go hand-in-hand.** It is the competitive market that makes this possible.

Both climate objectives and economic revitalization hinge on environmentally sound and efficient natural gas production and infrastructure growth. Today, energy consumers and policymakers have at their fingertips, the most cost-effective source of carbon emissions reductions – natural gas. We owe it to New York's energy consumers to begin the work toward a lower carbon environment by building on the most cost-effective source of carbon emission reductions -- natural gas.

Sincerely,



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I, Jennifer Fordham, do hereby  
affirm that the contents of this document are true to the best  
of my knowledge.

Signed: \_\_\_\_\_

Date: March 14, 2016

