May 2, 2016

Office of Governor Tom Wolf
Room 225
Main Capitol Building
Harrisburg, PA 17120

Dear Governor Wolf,

We write in support of your continued commitment to developing a Clean Power Plan (CPP) state compliance plan for Pennsylvania despite the recent Supreme Court stay. The CPP provides an historic opportunity for Pennsylvania to reduce carbon pollution from power plants and take significant steps toward combating climate change. We commend your leadership in acting now to protect future generations from the impacts of climate change, while providing new jobs, and expanding the economy. Your efforts will serve as a valuable model for others and these benefits persist regardless of the status of the rule.

By incorporating industrial energy efficiency (IEE) measures into the state's compliance plan, Pennsylvania will strengthen its manufacturing base, promote economic growth, increase grid reliability, and reduce emissions while lowering everyone's electric bills.

The industrial sector, which includes manufacturing, mining, construction and agriculture, accounts for nearly 35 percent of all energy demand in Pennsylvania and represents the largest single energy use in the state.[1] Studies have estimated that up to 32 percent of industrial energy use could be saved through cost-effective efficiency measures.[2] Further, as states and power companies look to meet GHG emissions reductions under the CPP, efficiency remains the least-cost resource and accordingly serves as the lowest cost compliance option identified by EPA in the proposed rule,[3] and on a national basis, industrial energy efficiency programs have the lowest cost of saved energy than any other end-use sector.[4]

By adopting industrial energy efficiency measures, Pennsylvania will cut its manufacturing costs, make its existing manufacturers more competitive in international markets, attract new industry to the state, and create jobs. Efficiency measures designed to improve a facility's energy productivity enable manufacturers to reduce costs, increase competitiveness and insulate themselves from volatile energy prices in the future. Industrial efficiency technologies such as combined heat and power (CHP) can be twice as efficient as the separate generation of thermal energy and electricity, which significantly cuts costs for businesses. What's more, industrials can reinvest the money they save on energy to expand production and hire more employees. Industrial efficiency offers economic benefits society-wide, helping to postpone or eliminate the need for expensive generation and transmission investments, and keeping energy costs down for all consumers.

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[1] US Energy Information Administration, May 2015, "Pennsylvania State Profile and Energy Estimates," http://www.eia.gov/state/?sid=PA#tabs-2

[2] US DOE, June 2015, "Report to Congress: Barriers to Industrial Energy Efficiency," at iii (http://www.energy.gov/sites/prod/files/2015/06/f23/EXEC-2014-005846_6%20Report_signed_v2.pdf).

[3] Jeff Hopkins, May 2015, "Modeling EPA's Clean Power Plan: Insights for CostEffective Implementation" (http://www.c2es.org/publications/modeling-epas-cleanpower-plan-insights-cost-effective-implementation).

[4] Aden, Nate, et al., 2014, "Beyond Lighting: The Role of Industry Programs in U.S. Ratepayer-Funded Energy Efficiency" (http://mwalliance.org/conference/sites/default/files/pdf/MIEES_2014_presentations_Aden.pdf).

IEE and CHP also offer emission benefits. CHP can produce electricity with roughly one-quarter the emissions of an existing coal power plant.[5] Waste heat to power (WHP) can generate electricity with no additional fuel and no incremental emissions. Due to its scale, a single IEE investment can achieve significant emission reductions.

Despite the many benefits of industrial efficiency, a number of barriers impede greater adoption, including the internal competition for capital that often undervalues efficiency investments, business models that discourage utilities from fully promoting industrial efficiency and CHP, and information barriers that make it harder for industrials to make educated decisions. As Pennsylvania develops its Clean Power Plan compliance plan, we urge you to consider strong complementary policies that address these hurdles and include programs and incentives that reflect the true value of efficiency. Such policies will further allow power companies to meet compliance obligations under the CPP in a cost-effective manner.

We thank you for your leadership and hope that Pennsylvania's forthcoming plan includes provisions to encourage cost-effective energy-efficiency investments in the industrial sector.

Sincerely,

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cc:// Sam Robinson, Senior Policy Analyst, Governor's Office
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Sarah Galbally, Secretary of Policy and Planning, PA DEP
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[5] David Gardiner & Associates and Institute for Industrial Productivity, 2015, "Combined Heat and Power as a Compliance Option under the Clean Power Plan" (reporting incremental emissions of Natural gas CHP of 450 to 600 lbs/MWh, compared to 2000 to 2200 lbs/MWh for coal) (http://www.dgardiner.com/wpcontent/uploads/2015/08/CHP-Pathway-Final-Report-8-18-15.pdf).