UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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Carbon Pricing in Organized	)	Docket No. AD20-14
Wholesale Electricity Markets	)	
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Opening Statement of Kate Konschnik
Director, Climate & Energy Programs,
Duke University Nicholas Institute for Environmental Policy Solutions

Good morning. Thank you for convening this technical conference, to study an issue that is growing in importance to our bulk power markets. Thank you as well for inviting me to speak to some of the legal questions raised by this issue.

I direct the Climate and Energy Program at the Duke Nicholas Institute for Environmental Policy Solutions. The Nicholas Institute works to improve environmental policymaking through objective, fact-based research. The views I share today are my own and do not necessarily reflect those of the Nicholas Institute or of Duke University.

I'd like to make three initial points. First, we have generation-based and consumption-based state carbon pricing currently reflected in four power markets.

Second, policies addressing greenhouse gases are often treated as exceptional. When we do this, we needlessly constrain our ability to draw from our experience. We need not focus exclusively on the Commission's multiple orders approving or accepting CAISO tariff revisions to accommodate California's carbon regime. Many of the actions to be discussed here today, whether taken by states, markets, or FERC, will have non-climate analogs. For instance, state requirements imposing environmental or labor compliance costs are regularly reflected in wholesale energy prices. In just the same way, the allowance costs incurred by generators under the Regional Greenhouse Gas Initiative are reflected in their market bids. Market rules and manuals reflect this. There is nothing groundbreaking here.

Third, the Federal Power Act poses no fundamental obstacle to markets incorporating state carbon pricing. Harmonizing bulk power markets with state policy comports with the authority allocated to the Commission and reserved to the states under the Act. Moreover, the Commission may approve tariff revisions that absorb or reflect state carbon pricing while remaining in its lane as an economic regulator.

I am especially looking forward to the discussion on implementation of a carbon price set by states in a multi-state market. In these markets, state carbon policy is most likely to be frustrated. The RGGI program is based on in-state generation, which does not reflect the total amount or the carbon intensity of all of the electricity consumed by those states' residents. Yet states lack visibility into power flows within the market and so cannot implement an effective consumption-based carbon regime. If a multi-state market embarks on a process to implement a carbon price, many interesting questions follow, particularly if the states are not aligned. I hope we get to those today. But carbon pricing in these markets could better effectuate state carbon policies, and in turn, potentially reduce state policy proliferation. (By noting this, I am not endorsing a view that a market carbon price would or should preempt future state action as a legal matter.)

A final note. Many voices are not present today, particularly the states and many of my female colleagues thinking and working in this space. I hope there will be an opportunity to solicit a broader sampling of views for the record and in future conferences and dockets.

Thank you.