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By Email to DOER.APS@mass.gov

August 19, 2021

Department of Energy Resources
100 Cambridge Street
Suite 1020
Boston, MA 02114
Attention: Darchelle Petion

Re: Comments of Associated Industries of Massachusetts relative to Department of Energy Resources Alternative Energy Portfolio Standard Straw Proposal

To Whom It May Concern:

Associated Industries of Massachusetts (AIM) is pleased to comment on the Alternative Energy Portfolio Standard (APS) Straw Proposal (“Straw Proposal”) released by the Department of Energy Resources (DOER) on July 20, 2021. Comments are due by August 20, 2021

AIM is the largest general trade association in Massachusetts. AIM’s mission is to promote the prosperity of the Commonwealth of Massachusetts by improving the economic climate, proactively advocating fair, and equitable public policy, and providing relevant, reliable information and excellent services.

Our comments will be directed at the proposed changes relative to Combined Heat and Power (CHP). Many AIM members have an interest in this issue because they operate CHP equipment that could be impacted by elements in the Straw Proposal.

AIM supports the Commonwealth’s transition to net zero greenhouse gas emissions by the deadlines imposed in *An Act Creating a Next-generation Roadmap for Massachusetts Climate Policy* (“Roadmap Law”).

AIM is a charter member of the Energy Efficiency Advisory Council (EEAC), which oversees nearly a billion-dollar rebate program so that residential and commercial and industrial customers can become more efficient and transition away from fossil fuels (the EEAC is also reviewing the role of CHP as it relates to rebates). We are also a stakeholder in D.P.U. 20-80 - *The Role of Gas Distribution Companies in Achieving the Commonwealth’s Climate Goals*. Finally, we have supported almost every renewable energy project (offshore wind, solar and hydropower) ever proposed.

Before we get to our comments, AIM would like to express our support for the comments of the CHP Coalition (of which AIM is a member) which offer detailed suggestions to the

Straw Proposal. Our comments are intended to provide highlights from those comments and touch on areas of specific interest to AIM members.

The Straw Proposal does not recognize the efficiency of CHP and the way it reduces stress on the electric system in times of peak use

It is undeniable that if the 96 CHP systems in Massachusetts were not operating there would be a need for more electric generation, primarily powered by natural gas. This would not only be inefficient due to transmission losses, but it may require the use of dirtier fuels when the electric grid is stressed.

For example, in the heat wave during the week of August 10-14, significant amounts of oil and coal were needed to meet air conditioning and other electric needs. During that time natural gas was fueling almost 70% of the generation in New England. Certainly, more coal and oil would have been needed without CHP and using such fuels even for short periods of time can negate any emission reductions from using renewable power for an entire year or more.

The phasedown and ultimate phaseout of APS credits in the Straw Proposal assumes the electric grid will be cleaner than CHP in 2030

We recognize that CHP largely operate on natural gas and that eventually natural gas usage will be curtailed because of goals outlined in the *Roadmap Law*. However, that does not mean such operations, particularly existing operations, should be reduced on the same schedule as proposed in the Straw Proposal (which are decades before the net-zero goal in the *Roadmap Law*).

There does not appear to be any reasonable justification for the accelerated phasedown (and ultimate phaseout) of APS credits by 2030, other than perhaps that is a date in the *Roadmap Law* when the first emissions reduction milestone is hit. However, the two issues – incentive phasedown/phaseout and the emissions reduction milestones in the *Roadmap Law* - are not related, unless one can guarantee that the electric generation that replaces CHP will come from sources cleaner than natural gas by 2030 or expected shortly thereafter.

That is a very big assumption. The fact is that the electric grid in year 2030 will probably look a lot like it does today. Much of the clean energy transition over that short time is based on the success of two major clean energy sources - offshore wind and large hydropower from Canada. And large hydropower relies on one source – the New England Clean Energy Connect (NECEC).

The reality is that if NECEC is not built or not built on time, it will be impossible to meet our 2030 goal. And while we have high hopes for offshore wind, no major offshore wind has been built anywhere in America and even by 2030 there won't be a lot of it. As aging nuclear power plants (themselves zero emission) reach the end of their lifespan and cease to operate and electric use trends higher due to electric vehicles and other electrification, increases in electric use may overwhelm newly installed clean energy sources, making the emissions profile of the energy grid similar to today for decades.

Additionally, electrifying an entire state and transitioning to clean energy by 2050 is a monumental task that will likely require large amounts of investments and controversial permitting decisions which could delay the transition further.

By presupposing that these clean energy projects will be up and running on time and basing the rapid phaseout of CHP incentives on that presumption (which will certainly lead to less CHP), DOER is making an irreversible decision and going “all in” on basically two clean energy sources.

We hope the transition will go smoothly. Unfortunately, in a worst-case but possible scenario, DOER may need all the CHP available to minimize emissions. Based on the lead time for CHP, by the time DOER realizes the expectations for clean energy are not met, the CHP market will have moved on and it will be too late.

It is better to elongate or delay the phaseout of CHP incentives to coincide with the availability or expected operation of cleaner grid alternatives, since that coordinated approach will guarantee emissions reductions. While the risk is that a few extra CHP units get built, if the new regulations are clear new entrants will understand the risk they are facing with declining incentives or possible curtailment of natural gas uses. Additionally, many of the units that might be installed in the next few years will likely be reaching their end of life before 2050 and will therefore not negatively impact the 2050 goal.

In this scenario, rather than being a barrier to meeting these goals, CHP will play an important role in our transition by allowing regulators to concentrate on other areas where emissions could be reduced quicker and with less economic disruption.

The phasedown for APS credits means existing installations will become less financially viable and new installations may not be built and that could impact climate resilience efforts and the ability of companies to remain competitive in Massachusetts

There is no doubt the phasedown/phaseout of APS credits will have both an impact on existing units as well as new entrants. As stated above this could have an unintended impact of making it more difficult to meet the state’s emissions goals. As compelling as that argument may be on its own, we urge DOER to consider the non-environmental benefits of CHP - both existing and new.

Clearly, the world is different than it was just a few years ago with the worsening impacts of climate change and the recent Covid-19 pandemic. These new realities have not been integrated into energy planning.

We know that wires and other infrastructure are vulnerable to storms, shutting off power in some cases for days or weeks and obviously this could impact places like hospitals and pharmaceutical companies (many of which have converted to CHP). At the same time, the Covid-19 pandemic showed us that not all essential industries are medical related. Supermarkets and even manufacturing companies were also crucial. Some, in fact, didn’t even consider themselves crucial until called upon to transition their production to products that were needed by health care providers.

In this new world we expect a greater need to provide energy islanding for critical energy uses and that is where CHP comes in as many CHP units can operate when the local grid is down. As the energy world looks back on data from the last few years, we would expect many companies to reassess their energy needs and recognize that the best way to prepare for climate change and another pandemic is to secure on-site generation like CHP if it meets their needs.

As a result, despite its use of natural gas, CHP is necessary for public health. Any steps to discourage this complete analysis means that a unit may not be built when the crisis is over due to financial considerations.

In fact, based on recent events the ones not built under this Straw Proposal may be the ones we need the most.

Companies also choose CHP to take control of their energy costs and this benefit is not captured in the Straw Proposal. As you know Massachusetts has some of the highest energy costs in the United States. Some companies are only able to operate in Massachusetts because of their CHP, as they would not be able to afford the cost of energy otherwise. While clearly there is a need for a cleaner grid, it should not be at the expenses of companies and workers here in Massachusetts until alternatives are available. Of course, universities, another large CHP user, are also integral to our economy.

Finally, companies made major investments in CHP because of the expectation of APS credits (MASSSAVE credits are likely to be phased out soon, potentially leaving new CHP projects with no incentives at all). Phasing those credits out as proposed would have major financial impacts on companies that installed CHP based on good faith compliance with the intent of the law authorizing them. CHP was specifically included in legislation establishing the APS and as such the companies that installed CHP had a reasonable expectation that they would be compensated for their investment. Holding them to a new standard based on emissions is unfair, particularly where the justification is unrelated to the efficiency of CHP itself.

Abandoning CHP reduces the chances of using clean fuels

On the horizon are many clean fuels, including renewable natural gas and green hydrogen (paired with offshore wind). There are studies undergoing now (including one by the AIM Foundation expected in November) to understand the barriers to using such fuels in the current natural gas pipelines. Should CHP be discouraged, the chance of using these cleaner fuels will be eliminated.

The cumulative emissions from CHP are small, much smaller than other sectors

The emissions from current and projected CHP in Massachusetts are far smaller than other sectors of the economy, particularly transportation (which is responsible for most of the emissions). By this Straw Proposal, DOER is going after one sector which is not only cumulatively very small but well-regulated and is just one step above renewable power as clean options for power, while other sectors, including transportation, remain untouched. As

such, given its efficiencies and its impact on jobs, CHP should be one of the last sectors discouraged. Even if modest incentives are continued, the potential increase in CHP installations over the next few years is not likely to result in major emissions increases.

The transition to a clean energy economy must be done in stages, where the biggest bang for the buck is done first. There is no one-size fits all approach and the transition will be on different timeframes depending on the sources. While some transition may occur easily and quickly, others may take decades. Despite everyone's best efforts, the future is still uncertain and natural gas is likely to play a role well into the future. The goal should be to use the natural gas in the most efficient, cleanest way possible and that is CHP.

We urge DOER to consider these comments and those of the CHP Coalition and reevaluate elements of the Straw Proposal that discourage the continued use of CHP before cleaner alternatives are available, and at the same time consider CHP's benefits for climate resilience and on jobs and the economy in Massachusetts. A properly designed APS program recognizing all the elements of CHP will ensure that Massachusetts meets its emissions reduction goals without unintended consequences.

Thank you for allowing us to make these comments and we look forward to working with the stakeholder group throughout this process. Should you have any questions please do not hesitate to contact me.

Sincerely yours,

A handwritten signature in black ink, reading "Robert A. Rio". The signature is fluid and cursive, with the first name "Robert" being more prominent than the last name "Rio".

Robert A. Rio, Esq.
Senior Vice President and Counsel
Government Affairs