

USA - Pennsylvania

General Information

ETS Description

In April 2022, a regulation to establish an ETS in Pennsylvania and to participate in RGGI was published. Before its publication, the regulation faced legal challenges, and at the start of November 2023, the Commonwealth Court ruled the regulation unconstitutional, stating that RGGI-related revenues are a tax requiring legislative approval. The decision was appealed by Governor Josh Shapiro's administration.

Meanwhile, the legislature repealed Pennsylvania's RGGI Participation through incorporation into the state's fiscal code bill (House Bill 416) as part of the 2025 to 2026 budget, formally ending Pennsylvania's participation in RGGI.

However, legislation was first introduced in May 2024 to create a state-level cap-and-invest program for energy, known as the Pennsylvania Climate Emissions Reduction Act (PACER)(House Bill 2275). PACER directs the Department of Environmental Protection (DEP) to review the base CO₂ allowance budget (cap) which would be adopted separately after a period of public comment. The bill was reintroduced in April 2025 as House Bill 503 and Senate Bill 503.

Under the proposed program, fossil fuel-fired electricity generators with a nameplate capacity of 25 MW or more would be required to purchase allowances equal to their annual CO₂ emissions. DEP would review the base CO₂ allowance budget established in the 2022 RGGI regulation and recommend revisions within 120 days of enactment, after considering the effects on jobs, consumers, and the environment.

Allowances would be sold through Pennsylvania-run auctions. Auction revenue would be distributed across four accounts: the Consumer Protection Account, providing direct on-bill rebates to electricity consumers administered by the Public Utility Commission; and the remaining split equally among the Pennsylvania Energy Transformation Account (for clean energy projects including carbon capture, hydrogen, solar, wind, battery storage, and geothermal), the Workforce Enhancement Fund (for workforce development and legacy energy site projects), and the Low-income Support Account (for reducing energy bills of low-income consumers).

ETS Status

under consideration

Jurisdictions

Pennsylvania

Sectoral coverage

Power

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO₂e)

252.8 MtCO₂e (2021)

GHG reduction targets

By 2025: 26% reduction below 2005 levels (Executive Order 2019-1)

By 2050: 80% reduction below 2005 levels (Executive Order 2019-1)

Flexibility & Linking

Other carbon pricing instruments in the jurisdiction

ETS: RGGI

Other Information

Institutions involved

Pennsylvania Department of Environmental Protection (DEP): Government agency that would be responsible for implementing and administering PACER, including developing the revised CO₂ budget and conducting Pennsylvania-run auctions of CO₂ allowances.

Environmental Quality Board (EQB): A 20-member independent board that adopts DEP's regulations. Under PACER, the EQB would promulgate the final base CO₂ budget.

Pennsylvania Public Utility Commission (PUC): Would administer on-bill rebates to electricity consumers, funded by a percentage of PACER auction proceeds.

Regulatory Framework

[CO₂ Budget Trading Program](#)

[House Bill 416 \(2025\)](#)

[House Bill 2275 \(2024\)](#)

[House Bill 503 \(2025\)](#)

[Senate Bill 503 \(2025\)](#)

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