

USA - Pennsylvania

General Information

ETS Description

In October 2019, Pennsylvania's then-Governor Tom Wolf signed an executive order directing the state's Department of Environmental Protection (DEP) to develop and present to the Environmental Quality Board (EQB) a proposal for an ETS covering CO₂ emissions from the power sector and its linkage to the Regional Greenhouse Gas Initiative (RGGI). The legal basis for developing an ETS is the state's "Air Pollution Control Act", which regulates air resources necessary for the protection of public health.

In April 2022, the final regulation to establish an ETS in Pennsylvania and to participate in RGGI was published. It set a base cap of 78 million short tons (70.8 MtCO₂) if Pennsylvania was a participating state of RGGI as of 1 January 2022. The cap decreases by 3% annually to 58.1 million short tons (52.7 MtCO₂) in 2030. The regulation includes the implementation of both emissions containment and cost containment reserves, as well as quarterly auctions to allocate allowances. It includes additional features such as set-aside accounts (accounts from which allowances may be transferred to the accounts of regulated units or retired on their behalf) for waste coal and cogeneration units (including combined heat and power systems), and a limited exemption for cogeneration units that supply less than 15% of their total energy to the electricity grid.

Before its April 2022 publication, the regulation faced challenges from Pennsylvania legislators and local coal stakeholders, including power plant and mine owners and workers' unions, who sued in Commonwealth Court after its release. At the start of November 2023, the Commonwealth Court ruled the regulation unconstitutional, stating that RGGI-related revenues are a tax requiring legislative approval. Governor Shapiro's administration appealed the decision to the state Supreme Court, with no set timeline for a ruling.

In May 2024, Democrat members of the Pennsylvania House of Representatives introduced a bill (House Bill 2275) that would create Pennsylvania's own carbon reduction program. It would be structured similarly to the proposal to join RGGI, but with direction for the DEP to review the base CO₂ allowance budget (cap) which would be adopted separately after a period of public comment. By September 2024, the Pennsylvania Senate approved legislation (Senate Bill 1058) to repeal the regulation that established the ETS and the state's participation in RGGI, though the bill awaits House approval.

ETS Status

under consideration

Jurisdictions

Pennsylvania

Sectoral coverage

Power

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO₂e)

258.2 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 responsible for implementing, administering, and enforcing the CO₂ Budget Trading Program (RGGI regulation)

Regulatory Framework

[Executive Order 2019-07](#)

[CO₂ Budget Trading Program](#)

[Pennsylvania Commonwealth Court Ruling](#)

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