



JUST TRANSITION TO CLEAN ENERGY

Ann Sutton, LWVCO Legislative Action Committee

“Colorado’s power sector, and the nation’s, is moving away from coal as a fuel source based on consumer demand for cleaner power and the declining cost of natural gas and renewables. There is a scientific consensus that greenhouse gas emissions, which are primarily the result of fossil fuel combustion, must be reduced in order to mitigate the worst effects of climate change.” [2019 Just Transition Act]

The League believes that climate change is a serious threat facing our nation and our planet and supports predominant reliance on clean renewable energy.

Colorado is encouraging transition to renewable energy and away from fossil fuels to mitigate climate change. Tax policy, including property tax exemptions and tax credits (e.g., electric vehicles), is a tool. Community Solar Gardens (CSG) are exempt from property taxes on the percentage of capacity that is attributed to residential, governmental, or non-profit subscribers, covering tax years 2015 through 2020. Currently, the total CSG capacity in Colorado is less than 2MW and is assessed locally. [<https://cdola.colorado.gov/renewable-energy>]

The principal objective of [SB20-168 Sustainable Severance & Property Tax Policies](#) is to further encourage the development of CSG by extending the property tax exemption from both local and state assessed taxes until 2026. The exemption is currently due to expire in 2021. The initial loss of revenue to local jurisdictions due to extension of renewable energy tax exemptions will be recovered by discontinuing exemptions from severance tax on coal production.

Severance tax is imposed on extraction of metallic minerals, molybdenum, oil and gas, oil shale, and coal. The severance tax was passed in 1977 with an exemption for coal produced by underground mines of approximately 50% of the tax liability [<https://leg.colorado.gov/agencies/legislative-council-staff/severance-tax-0>]. The exemption was intended to make Colorado coal competitive with Utah where there is no severance tax and with Wyoming where more coal is surface accessible and more easily mined. The amount of coal that will become subject to severance taxes will be approximately 47% of coal produced in Colorado. For example, estimated revenue will be \$2.9M in FY2020 (part year) and \$5.7M in FY 2021 (Final Fiscal Note March 9).

The League supports state revenue from the severance taxes for the impact of the extraction of non-renewable resources.

Last year, the League supported [HB19-1314 Just Transition From Coal-based Electrical Energy Economy](#) to address the effects of coal plant closures on workers and communities. The closure of coal-fired plants nationwide is also likely to have a serious impact on employment in Colorado coal mines and the transportation and logistics supply chains that move coal from mine to market. The Act established a Just Transition Office and advisory committee to identify the scope of impacts and report back to the legislature with proposals for funding. The office is tasked with designing a system offering benefits and training to laid-off workers and grants to impacted communities. The benefits will be available starting in 2025. The only funding appropriated in the bill was to establish the office. The director and advisory committee are tasked with identifying and obtaining funding for the benefits and grants.

Beginning in 2022, severance tax revenue from discontinuing exemptions that is in excess of that needed for local reimbursements will be transferred to the Just Transition Fund. Starting in 2026 after the CSG property tax exemption expires, all severance tax revenue will be transferred to the Just Transition Fund (Final Fiscal Note March 9).

There are 6 working coal mines in Colorado (per testimony). There are currently 9 coal-fired power stations in the state. [<https://www.cpr.org/2017/02/16/the-wests-largest-coal-fired-power-plant-is-closing-what-about-colorados-coal-power-stations/>]

The two major power utilities in the state have plans for phasing out coal.

Last year, Xcel Energy said it would shut down all its remaining coal plants in the years ahead and push to go completely carbon-free by 2050.

[https://www.xcelenergy.com/environment/carbon_reduction_plan]

Xcel will retire 660 MW of coal-fired generation early and reduce carbon emissions 60% by late 2025 (from 2005 levels).

[https://www.xcelenergy.com/company/rates_and_regulations/resource_plans/colorado_energy_plan]

Tri-State Generation & Transmission plans on eliminating 100% of emissions from Colorado coal facilities by closing the Craig Station (Moffat County) and the Colowyo Mine (Rio Blanco County) by 2030.

[<https://www.tristategt.org/sites/tristategt/files/PDF/Responsible-Energy-Plan/Tri-State-Responsible-Energy-Plan-Highlights.pdf>]

The League follows the fundamental principle of sustainability, a way of life that seeks a balance in meeting current environmental, economic, and human needs without compromising the ability of future generations to meet the same goal. The League promotes social and economic justice.