

Pennsylvania scraps carbon market, races to build more gas plants

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The Hummel Station power plant in Snyder County reopened in 2018 after the facility was converted from coal power to natural gas. (Credit: John Finnerty)

EDITOR'S NOTE: This story is part of a special State Affairs series highlighting energy policy dominating state legislative action this year. See the full list of stories [here](#).

Pennsylvania's new state budget scrapped the state's long-stalled bid to join the Regional Greenhouse Gas Initiative, a cap-and-trade program where power plant operators buy carbon allowances and the proceeds fund clean-energy projects.

Gov. Josh Shapiro says dropping the bid to enter the cap-and-trade program clears a political obstacle and opens the door to a broader energy deal.

“For years, Senate Republicans have used RGGI as an excuse to stall substan-

tive conversations about energy,” Shapiro said in November, when he signed the months-delayed 2025-26 state budget. “That excuse is gone. It’s time to look forward — and I’m going to be aggressive about pushing for policies that create more jobs in the energy sector, bring more clean energy onto the grid, and reduce the cost of energy for Pennsylvanians.”

Industry officials counter that the threat of joining RGGI chilled investment in new natural gas power plants, even as drilling in the state’s shale fields sent production soaring.

Pointing to projects already underway in West Virginia and Ohio, Pennsylvania officials now worry that the state is playing catch-up after squandering the advantage created when drillers opened up the state’s Marcellus Shale gas fields two decades ago.

“It is not a coincidence” that Pennsylvania has added virtually nothing in the way of new natural gas power since state officials began moving to enter RGGI, Patrick Henderson, vice president of government affairs and communications for the Marcellus Shale Coalition, said in an interview with CapitolWire/State Affairs shortly after the state budget was finalized.

Before Pennsylvania flirted with the cap-and-trade program, Pennsylvania built 17 new or converted natural gas power plants, worth over \$14 billion in private capital investment to the state between 2012 and 2019, he said.

The market-based RGGI program sets a regional cap on power plant emissions and sells allowances that generate revenue for energy efficiency, renewable energy and other climate-related investments.

The program’s organizers say participating states have cut power sector emissions by more than 50% since 2005, nearly twice as fast as the nation, while generating \$8.6 billion for local investments.

Pennsylvania’s bid to join the greenhouse gas initiative dates to 2019 when then-Gov. Tom Wolf announced his administration would move to enter the cap-and-trade program. Industry groups sued to block the move, arguing that Wolf had overstepped his authority because a cap-and-trade scheme amounted to a tax that only the legislature can approve.

While the state has opted out of RGGI, Shapiro has proposed a Pennsylvania-specific cap-and-trade program that his administration has dubbed the Pennsylvania Climate Emissions Reduction Program.

“You got rid of one carbon tax program, but he replaced that one with a couple of other ones that are equally as disastrous,” said Sen. Gene Yaw, R-Lycoming, told

CapitolWire/State Affairs. “Those are still out there. So to encourage people to come here, we’ve been working on a tax credit program.”

Yaw is the chairman of the Senate Environmental Resources and Energy Committee, and his district includes some of the most active fracking regions in Pennsylvania’s northern tier. Over 1,000 wells have been fracked in Lycoming County since 2008, more than all but four of Pennsylvania’s 67 counties – Bradford and Susquehanna in northern Pennsylvania and Washington and Greene counties in the southwest.

“Quite frankly, right now, Pennsylvania is losing to West Virginia. West Virginia has two combined-cycle gas-fired power plants under construction. One of them is a huge one, a \$3 billion project,” Yaw said, referring to the CPV Shay Energy Center in Doddridge County. “West Virginia has actually incentivized the gas industry to come there and build. Ohio is revising their approach to energy and regulating utilities and everything. If we really don’t get off of dead center and take a stand on a lot of this stuff, we’re going to get left in the dust.”

Shapiro’s cap-and-trade proposal calls for using 70% of the program’s proceeds to fund rebates to help Pennsylvanians lower their electricity bills. The remaining money would support energy projects such as carbon capture, geothermal deployment and clean hydrogen.

Legislation to establish the Pennsylvania cap-and-trade program was introduced as House Bill 503 in April 2025. The measure hasn’t yet received a committee vote.

The House Environmental and Natural Resources Protection Committee, however, did approve House Bill 501, another part of Shapiro’s energy strategy.

The bill would require Pennsylvania to get 50% of its electricity by 2035 from cleaner energy sources — including 35% from solar, wind, geothermal, small nuclear reactors and fusion, 10% from hydropower and battery storage and 5% from a qualifying natural gas category.

In the pipeline

Even as the policy clash continues in Harrisburg, several major natural gas projects are proposed or underway across Pennsylvania.

- **Homer City** — Developers are converting a coal power plant in Homer City, Indiana County, into a 4.5-gigawatt gas-fired facility. The project is expected to be completed next year.
- **Washingtonville** — Talen Energy has proposed converting a coal-fired power plant in Montour County into a natural gas plant to power a data center. After community

pushback, county commissioners in February rejected the company's application to rezone part of the property from agricultural to industrial use.

- Greensboro — International Electric Power has announced plans to build a 944-megawatt natural gas power plant in Greene County to generate electricity for a data center. The power plant is scheduled to be operational in 2029.
- Shippingport — Frontier Group has announced plans to convert a former coal power plant in Beaver County into a 3.6-gigawatt natural gas plant.

Developers say a former coal plant being converted to gas power in the Homer City facility would be the biggest natural gas power plant in the country.

But not for long.

In February, President Donald Trump announced plans for a natural gas plant in Portsmouth, Ohio, that would be double the size of the Homer City project.

Ohio has added three gas power plants since Pennsylvania last opened a new one. A fourth plant is scheduled to open later this year a little more than 20 miles from the Pennsylvania border near Lordstown, Ohio.

As the state scrambles to meet increased energy demand, Pennsylvania officials say a \$2 million federal grant will fund a study to determine whether recently retired power generation sites can be brought back at a reasonable cost. The study will also map existing high-voltage transmission infrastructure in the commonwealth and evaluate where upgrades or new investments would most strengthen the grid. The grant was awarded to the Public Utility Commission, which will work with state agencies, the Office of Consumer Advocate and the Team Pennsylvania Foundation on the review.

Yaw said a major challenge facing state efforts to add more gas power plants could be a lack of access to the specialized equipment needed to build and operate the facilities.

“Unfortunately, we've kind of fiddled around so long and not really made decisions to go forward,” Yaw said. “The biggest drawback we're gonna run into right now is the availability of equipment. Like the generation, the turbines, and things like that. There's anywhere from a 5 to a 7-year backlog.”

Yaw has called for an underused tax credit program to be revised to spur additional development in gas power.

The Economic Development for a Growing Economy (EDGE) tax credits were rolled out in 2021 through an 11th-hour deal worked out by former Gov. Tom Wolf and legislative leaders just before Wolf's term ended.

The tax credits have been little used since then, though state officials did tap a \$50 million EDGE credit as part of the package used to woo Eli Lilly Corp. to build a \$3.5 billion pharmaceutical plant in Lehigh County.

Yaw's Senate Bill 1106 would allow EDGE tax credits to be used to entice developers to build new baseload power plants.

Similarly, Shapiro's budget proposal calls for devoting \$100 million in EDGE tax credits toward enticing the development of new power plants.

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