American Petroleum Institute
Northeast Region

March 31, 2026

Senate Commerce Committee
State House – Room 212
82 Smith Street
Providence, Rhode Island 02903

<u>IN RE: S2646 – An Act Relating to Insurance – The So-Called "Rhode Island Insurance Market Protection Act"</u>

<u>OVERVIEW AND OPPOSITION</u>

Thank you for this opportunity for the American Petroleum Institute (API) to offer comments in **<u>opposition to S2646</u>**. This bill would require property and casualty insurance companies to phase out underwriting for and investments in fossil fuel projects over the next 10 years,[1] along with detailed annual emissions reporting requirements and penalties for noncompliance – essentially prohibiting the issuance of new fossil fuel insurance policies by 2028, with a complete phase-out of such policies by 2035.[2]

This proposed legislation inappropriately singles out the fossil fuel industry for adverse treatment. Furthermore, the limited scope of the legislation can be construed as a punitive measure on a particular industry rather than realistic steps toward meaningful solutions to address environmental issues. Whether intended or not, the bill has the practical effect of creating a disincentive for the development of important and critical energy infrastructure. API is concerned that this policy approach has unintended consequences and carries significant risks for both the energy and insurance sectors, with consequences that would be felt by consumers and the broader economy.

<u>STATE'S AFFARMAITVE ROLE IN FOSSIL FUEL DEMAND</u>

It is patently unfair to retroactively punish companies with punitive fees for producing fuels that were and remain legal. These fuels were used to heat and cool our homes and get us to work for decades and is expected to be relied upon for decades to come.[3] Not only were these fuels a necessity for individuals and businesses (including the Rhode Island airport), but also for federal, state and local governments as well.

If S2646 were to pass, it would impose a fee on the very goods the state deemed critical and necessary for public safety reasons. In fact the state has approved the siting and operation of six marine import terminals in East Providence, Providence, and Tiverton with a total refined products storage capacity of more than 210 million gallons,[4] as well as three liquefied natural gas facilities with a total storage capacity of 27.5 million gallons;[5] nine natural gas- and one

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[1] Prohibiting covered insurers from underwriting any new fossil fuel projects on or after July 1, 2026; directing covered insurers to unwind and terminate any outstanding or pending commitments or negotiations to underwrite new fossil fuel projects no later than July 1, 2028;directing covered insurers to phase out all underwriting for any existing fossil fuel projects and fossil fuel companies by January 1, 2035 and establish short, medium, and long term benchmarks; prohibiting covered insurers from investing in any new fossil fuel projects on or after July 1, 2026; directing covered insurers to unwind and terminate any outstanding or pending commitments or negotiations to invest in new fossil fuel projects on or before July 1, 2028; directing covered insurers to phase out all investments from any existing fossil fuel 6 projects and fossil fuel companies by January 1, 2035 and establish short, medium, and long term benchmarks.

[2] In general terms, underwriting is not the same as insuring; rather, underwriting is the process of evaluating risk to decide whether to issue a policy/provide insurance, while insuring is the act of providing the coverage. Underwriters analyze applications to set policy terms and premiums, while insurers (the company) take on the financial risk. *See* https://www.progressive.com/answers/what-is-insurance-underwriting/.

[3] For example, *GECF Global Gas Outlook 2050* projects continued growth over the next quarter century. *See* https://www.gecf.org/Publications-Data/Global-Gas-Outlook-2050.

[4] *See* http://www.planning.ri.gov/documents/LU/energy/energy15.pdf

[5] *See* https://www.energy.gov/sites/default/files/2021-09/Rhode%20Island%20Energy%20Sector%20Risk%20Profile.pdf.

petroleum-fired power plant; over 3,200 miles of natural gas pipeline; 312 retail gasoline stations;[6] and nearly 13,600 lane miles of public roads using thousands of tons of asphalt made from processed crude oil.[7] [8]

BILL IS CONTRATRY TO PRIOR LEGISLATIVE POSITIONS

S2646 contradicts and runs afoul to previous laws and policies supported by the General Assembly. Rhode Island's legislature is being asked to support this bill despite previously declaring that a shortage of refined petroleum products "will create severe economic hardship and emergencies" and will "constitute a threat to the public health, safety and welfare."[9] In fact, the state has identified gas and related support facilities that service multiple customers as critical infrastructure.[10]

This past winter the region relied heavily on fossil fuels to maintain power system reliability under grueling weather scenarios and peak winter demands.[11] According to ISO New England, natural gas and oil represented 61, 56 and 60 percent of the monthly winter energy for December 2025, January 2026, and February 2026, respectively.[12] Despite the essential role that natural gas and oil played in keeping New England's lights on this past winter—when generators ran flat-out during periods of extreme cold to prevent supply shortfalls—it is ironic that lawmakers continue advancing policies that would likely constrain investment in these very fuels.

The region's ability to avoid outages was the product of extensive preparation, fuel stockpiling, and the reliable performance of both baseload and peaking plants, many of which depend on natural gas and oil to meet persistently high winter demand. In light of this recent experience, proposals that undermine the sector overlook the reality that these resources were instrumental in maintaining grid reliability when it mattered most.

The legislature should appreciate that our modern society runs on natural gas for power generation, transportation, and manufacturing. The country also relies on oil and natural gas for commercial and industrial uses, and for heating and cooling. The U.S. Energy Information Administration (EIA) is forecasting short-term increases in oil and gas production and in the long-term predicts that the United States will continue to be a globally significant producer of crude oil and refined liquids as well as domestic natural gas, which will support domestic electricity demand for decades to come (through 2050).[13] However, this legislation disregards these expectations and realities.

UNINTENDED CONSEQUENCES AND RISKS

Restricting access to insurance for fossil fuel activities may reduce market competition, increasing insurance costs and undermining the stability of the insurance market. Adverse impacts to smaller insurers may be significant, potentially resulting in fewer carriers, and potentially higher premiums across multiple sectors thereby reducing choice. In addition, insurers may withdraw entirely from certain markets, affecting coverage for energy infrastructure and related industries

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[6] *See https://www.eia.gov/state/analysis.php?sid=RI*.
[7] See https://highways.dot.gov/public-roads/september-2017/whats-your-asphalt#:~:text=Asphalt%20is%20the%20sticky%20black,refiners%20would%20give%20it%20away.
[8] Additionally, Rhode Islanders consumed nearly 35 billion gallons of petroleum products, more than 3 trillion cubic feet of natural gas, and 54 thousand tons of coal from 1990 to 2022. *See* www.eia.gov/state/seds/data.php?incfile=/state/seds/sep_use/total/use_tot_RIa.html&sid=RI.
[9] See *Petroleum Allocation Act* at 42 R.I. Gen. Laws Ann. § 42-81-2 (West).
[10] 5 R.I. Gen. Laws Ann. § 5-94-2 (West).
[11] ISO New England presentation to NEPOOL Participants Committee, March 5, 2026, notes "a prolonged and widespread cold weather outbreak affected the region from January 23 through February 10, resulting in the most challenging winter conditions" in nearly a decade. "Temperatures were consistently well below normal, leading to elevated demand and stressed system conditions. Demand remained high, both in terms of peak load and overall energy … Timely replenishment of stored fuels was essential for maintaining reliable. *See* https://www.iso-ne.com/static-assets/documents/100033/npc-2026-03-05-composite4.pdf.
[12] *Ibid*, p. 73.
[13] *See* EIA 2025 Annual Energy Outlook at https://www.eia.gov/outlooks/aeo/.

— even those not directly tied to fossil fuel production. A rapid contraction in available insurance could lead to cancelled projects, supply disruptions, and higher costs for consumers.[14] Given the long operational lifespans of energy infrastructure, existing and planned projects could become stranded assets under this framework, discouraging future investment and raising concerns about potential expropriation. The legislation also appears to assume an immediate and complete transition to renewable energy, overlooking ongoing demand for fossil fuels in transportation, construction, and other critical sectors.

POTENTIAL PUNATIVE IMPACT

Unfortunately, this legislation seeks to financially punish the energy industry, and in the process, disregards the advancements made by our industry as well as the nexus between fossil fuel and lower-carbon energy, as oil and gas companies work to reduce emissions, invest in alternative energy development, and implement innovative carbon management technologies.

CONCLUSION

In conclusion, we share in the goal of reducing emissions across the broader economy and, specifically, those from energy production, transportation, and use by society. On the issue of underwriting, we see policies that encourage insurance coverage as the better course of action. API urges policymakers to work ***with*** companies in good faith on the shared goal to reduce emissions while supporting the needs and demands of consumers now and into the future.

For the reasons stated above, we recommend that the committee **oppose S2646** and not advance it out of committee.

Respectfully submitted,

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[14] A real-time example of how constraints in a market have significant impacts on costs can be seen relative to the situation in the Strait of Hormuz. Additionally, there are also various sources that suggest when insurance markets become more concentrated — because insurers exit or capacity tightens — competition declines, which is associated with higher premiums, fewer choices, and reduced affordability for consumers. For example, *see*: U.S. Government Accountability Office, *Health Insurance Costs Are Increasing As Markets Become More Concentrated with Fewer Insurance Companies*, December 5, 2024 (holding that market concentration among fewer insurers is linked to higher premiums and fewer consumer options. As markets become more concentrated, they may also become less competitive. This may result in higher premiums, decreased access to affordable health insurance, and fewer options for consumers). *See also* U.S. Department of Justice & Federal Trade Commission, *Horizontal Merger Guidelines* (holding that reduced competition increases prices and harms consumers across markets, including insurance. Markets that become "highly concentrated" raise antitrust concerns because firms gain pricing power, which can result in higher prices and reduced output or choice). *See also* American Medical Association, *Competition in Health Insurance: A Comprehensive Study of U.S. Markets*, (holding that when one or two insurers dominate a market, patients and employers face higher premiums and fewer choices. *See also,* Urban Institute, *Changes in Marketplace Premiums and Insurer Participation, 2022–2023*, April 2023 (holding that insurer exit and reduced participation are associated with premium increases and fewer participating insurers in a market are associated with higher benchmark premiums and less price competition).