November 29, 2021

Regional Greenhouse Gas Initiative
Submitted via email info@rggi.org

RE: Listening Session RGGI Program Review Comment

Dear RGGI Representative,

We appreciate RGGI's public engagement efforts through the recent and upcoming Listening Sessions and look forward to participating in Third Program Review process with all the stakeholders.

Please consider the following brief talking-point comments when evaluating potential updates to the Model Rule, state implementation, and auction process.

1) Having had the pleasure of working with various facilities in multiply RGGI States I have seen the agencies implement the reporting requirements differently. As currently in the case of New Jersey, we are having to duplicate reporting and certification requirements, first through the customary means of submitting Electronic Quarterly Reports via EPA's Emissions Collection and Monitoring Plan System (ECMPS) that then gets transferred to RGGI and then second through hard copy forms submitted to NJDEP of the same information already provided via ECMPS.

   Recommendation would be to:

   a) Propose draft Model Rule language clarifying reporting and certification requirements specifying that for "Part 75" or related sources ECMPS is the reporting means and/or

   b) Provide more outreach to the states on the intent of the reporting requirements of the Model Rule are and how to streamline efficiencies. As in the case of facilities in New Jersey, both the facility personnel and NJDEP representatives are duplicating efforts that do not provide any value-add to the existing ECMPS process.

2) It has been demonstrated that a markets-based cap and trade approach to decreasing pollution is a successful regulatory strategy that in some cases has greater economic efficiencies than anticipated and meets pollution reduction goals well ahead of stated milestones. The CO2 Budget Trading Program, Acid Rain Program, Clean Air Interstate Rule now Cross-State Air Pollution Rule, along with other macro-economic contributing factors have led to significantly improved air quality.

   However, in this Third Program Review process we would like RGGI to evaluate the effects of limiting the volume of allowances available to non-compliance-oriented entities (NCOE), those entities participating in the auction not affiliated with a CO2 Budget Source. As reported in RGGI's Auction Results, we have seen NCOE's win between approximately 40%-60% of the volume of allowances over the history of the auction process. Per summary of Auction 53, only "40% of allowances in circulation will be held by Compliance-Oriented Entities following the settlement of allowances sold in Auction 53". Looking at that statement in a different angle, one could infer that 60% of the energy from fossil generation for the region is held at some risk in speculative circumstances driving up the cost of electricity well over what the cost of compliance should be if most allowances were held by the actual generators or Compliance-Oriented Entities with the obligation to supply clean and reliable energy to the grid.

   It is recognized that NCOE's such as emission allowance brokerage firms and other commodity traders are critically needed to make a cap and trade program work providing a benefit regarding liquidity purposes and actually "making the market". However, we may have reached a point where

NCOE margin requirements are displacing clean combined cycle operations, specifically in New Jersey that has the \$3-\$5/mwh RGGI price adder, with generation from Non-RGGI states that are less efficient and have higher emission rates CO_2 and other pollutants. And, outside of "Leakage" issues, are having too much of an unintended consequence on the cost of electricity in the power markets.

The grid in general and generation facilities specifically need a higher level of security regarding one of the significant operational costs of being able to produce electricity at an economic price, the cost of RGGI CO2 allowances that now account for approximately 20% of the cost of generating electricity.

Recommendations would be to:

a) Limit volume NCOEs are allowed to bid on. As example: set a 15% limit on the volume of allowances per auction that NCOE's in total can win, and/or.

b) Provide a portion of the generators' allowances be directly allocated. As example: allocate 75% of the facility's 3-year rolling average emissions on an annual basis to provide a level of security of future generation. The remaining allowances not allocated could go to an open auction.

3) With the decarbonization of fuels we need to start collaborating with EPA and related agencies on the method to calculate CO_2 emissions with H_2 blended fuel. Amendments to 40 CFR Part 75 Appendices D and G will be needed and potential considerations in the Model Rule. During this review process, we, RGGI and stakeholders, could lead in that discussion and set an example for how CO_2 emissions from H_2 blended fuels should be calculated, recorded, and reported.

Again, thank you for your consideration of the comments provided and we look forward to participating in this Third Program Review process and working with the stakeholders on these issues.

Sincerely,

Matt Lydon

Matt Lydon
VP of Compliance
Authorized Account Representative