

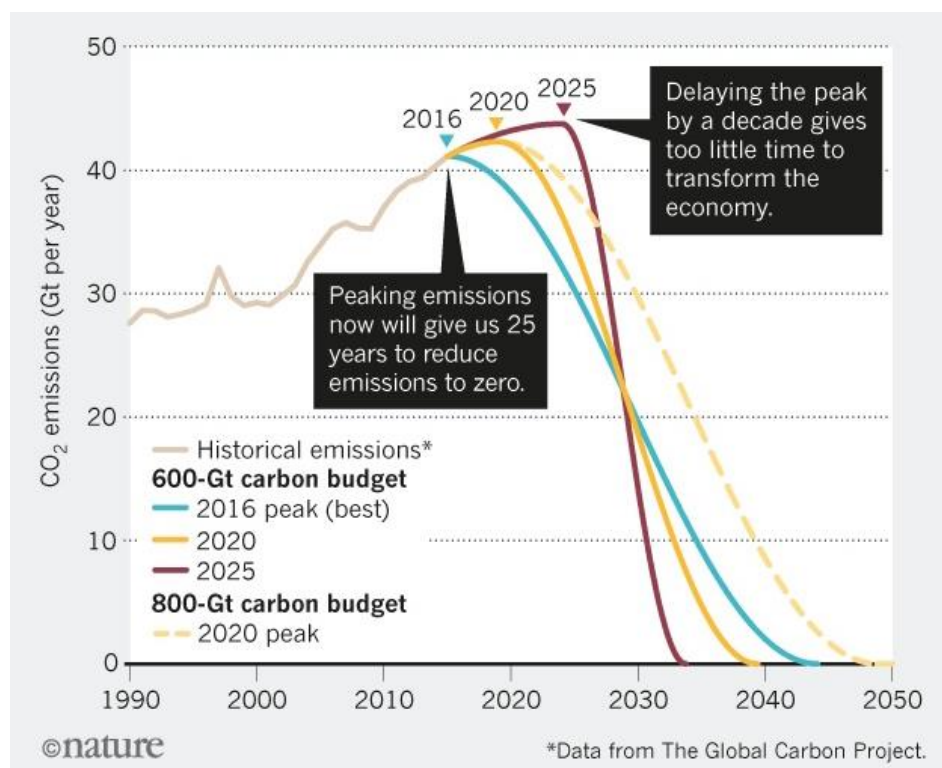
Andrew McKeon, Executive Director  
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July 11, 2017

Dear Mr. McKeon and Members of the RGGI Board:

The organizations listed below (Joint Commenters) respectfully submit the following comments in response to the June 27<sup>th</sup> stakeholder meeting and accompanying materials. We appreciate the RGGI states' efforts to conduct an open and transparent stakeholder review over the past twenty months. As this process approaches its conclusion, we strongly urge the states to heed the near-uniform public and stakeholders' requests for the states to continue their climate leadership by strengthening RGGI consistent with the strongest policy scenario under consideration.

Climate change is a crisis. Preventing its worst impacts demands urgent and bold action. Christiana Figueres (former Executive Secretary of the UN Framework Convention on Climate Change) and colleagues recently published an analysis that concludes the world must reduce emissions from all sources to zero, globally – ideally within the next 25 years – and scale up to 100% renewable energy to achieve the goals of the Paris Climate Agreement.<sup>1</sup> As shown below, more aggressive action, earlier, will make the task more achievable.



<sup>1</sup> Christiana Figueres, Hans Joachim Schellnhuber, Gail Whiteman, Johan Rockström, Anthony Hopley, and Stefan Rahmstorf, “Three years to safeguard our climate,” *Nature* 546: 593–595 (29 June 2017), <https://www.nature.com/news/three-years-to-safeguard-our-climate-1.22201>.

In line with this call to action, the U.S. Conference of Mayors in June voted unanimously in support of a resolution calling on cities to transition to 100 percent renewable energy by 2035<sup>2</sup> – i.e., to effectively reduce power plant carbon pollution to zero within two decades.

As the world’s sixth largest economy, RGGI too has an important role to play in meeting the Paris targets.<sup>3</sup> With an absence of federal leadership on climate, it is more imperative than ever that the states carry the mantle. Absent deeper emission reductions from the electric sector, as well as measures to address greenhouse gas emissions in other sectors, such as transportation and heating,<sup>4</sup> the RGGI states will not be able to cost-effectively achieve state-specific and regional mid- and longer-term climate goals.

As recent emission levels have shown, the RGGI states are well ahead of the emission reduction trajectory established during the previous program review. Emissions in 2016 were more than 7 million tons below the cap, continuing an unbroken string of emissions falling below RGGI’s cap in every year of the program to date.<sup>5</sup> Low clearing prices in recent quarterly allowance auctions – including \$2.53 per ton in June 2017, just above the auction floor price and the lowest price since 2012<sup>6</sup> – have highlighted the significant slack in current cap levels and the need to strengthen the RGGI program.

The updated policy scenario modeling presented at the June 27<sup>th</sup> meeting further shows that more stringent cap trajectories can be achieved with a far smaller impact on firm power prices and RGGI allowance prices than previously modeled. The RGGI states should seize this opportunity by adopting an ambitious RGGI cap and other reforms to the current program.

We offer the following recommendations:

- **The RGGI states should adopt an ambitious carbon cap.** Such a cap should include an adjustment in 2019 to reflect current emissions trends, as in Scenario #3, and continued reductions through 2030 at least as ambitious as the most ambitious scenarios modeled.
- **In addition to the cap, the RGGI states should adopt a series of complementary program elements and reforms to strengthen the program.** Such elements and reforms include a full adjustment for banked allowances, as anticipated under Scenarios #2 and #3; reforms to the current Cost Containment Reserve (CCR); adoption of a new Emissions Containment Reserve (ECR); and a higher allowance price floor.

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<sup>2</sup> U.S. Conference of Mayors, “Supporting a Cities-Driven Plan to Reverse Climate Change,” 2017 Adopted Resolutions, [http://legacy.usmayors.org/resolutions/85th\\_Conference/proposedcommittee.asp?committee=Energy](http://legacy.usmayors.org/resolutions/85th_Conference/proposedcommittee.asp?committee=Energy).

<sup>3</sup> Acadia Center (2017), *RGGI on the World Stage*, [http://acadiacenter.org/wp-content/uploads/2017/06/AC\\_RGGI\\_on\\_the\\_World\\_Stage\\_20170626.pdf](http://acadiacenter.org/wp-content/uploads/2017/06/AC_RGGI_on_the_World_Stage_20170626.pdf).

<sup>4</sup> See June 9, 2017, Letter to RGGI State Governors, [http://rggi.org/docs/ProgramReview/2017/04-20-17/Comments/Joint\\_Letter\\_to\\_Governors.pdf](http://rggi.org/docs/ProgramReview/2017/04-20-17/Comments/Joint_Letter_to_Governors.pdf).

<sup>5</sup> RGGI’s CO<sub>2</sub> emissions were 79.2 million tons in 2016 compared to a cap of 86.5 million tons. See RGGI CO<sub>2</sub> Allowance Tracking System, “Summary Level Emissions Reports,” [http://rggi-coats.org/eats/rggi/index.cfm?fuseaction=search.rrgi\\_summary\\_report\\_input](http://rggi-coats.org/eats/rggi/index.cfm?fuseaction=search.rrgi_summary_report_input).

<sup>6</sup> RGGI, “Auction Results,” [https://www.rrgi.org/market/co2\\_auctions/results](https://www.rrgi.org/market/co2_auctions/results).

- **The states should explore opportunities to expand the RGGI market.** Done right, expansion could increase RGGI’s benefits and promote greater ambition.
- **To ensure the continued success and fairness of the program, the RGGI states should conduct an environmental justice analysis.** This analysis should focus on co-pollutant impacts of the states’ proposed policy package, the implications of eliminating exemptions for biomass, and the impacts of current exemptions for facilities whose individual units are exempt under RGGI’s 25 MW size threshold but whose total size exceeds 25 MW.

### **I. The RGGI States Should Adopt an Ambitious Cap, Starting with an Adjustment in 2019 to Reflect Current Emissions Trends and Continuing with Reductions Through 2030 at Least as Ambitious as the Most Ambitious Scenarios Modeled**

In order to prevent the worst impacts of climate change, the RGGI states must continue to lead by adopting an ambitious carbon cap for the power sector through 2030. The states’ recent modeling shows RGGI is well positioned to achieve greater emission reductions at an even lower cost than previously projected. Once the states model the *benefits* of further emission reductions and auction revenue reinvestment, these projected costs will shrink further. And based on RGGI’s performance to date, the benefits of an ambitious RGGI are likely to outweigh the costs, as states and consumers benefit from lower energy bills thanks to investments in energy efficiency and renewable energy, faster economic growth, and improved public health.<sup>7</sup> The states need only seize this opportunity.

We are pleased the states included in the scenarios presented at the June 27<sup>th</sup> stakeholder meeting a scenario (#3) that includes a correction to the RGGI cap in 2019, intended to better reflect current emission trends and expectations in that year. As we have previously commented, such a correction is necessary, as early as possible, to align the RGGI cap with the faster-than-expected rate of emission reductions in the region and restore RGGI’s carbon price signal and proper market function.<sup>8</sup> Such a correction is also consistent with the approach the states took in the 2012 program review in which they reset the cap to a more reasonable level starting in 2014, while committing to additional reductions in later years. The states should adopt such a correction in their forthcoming Model Rule.<sup>9</sup>

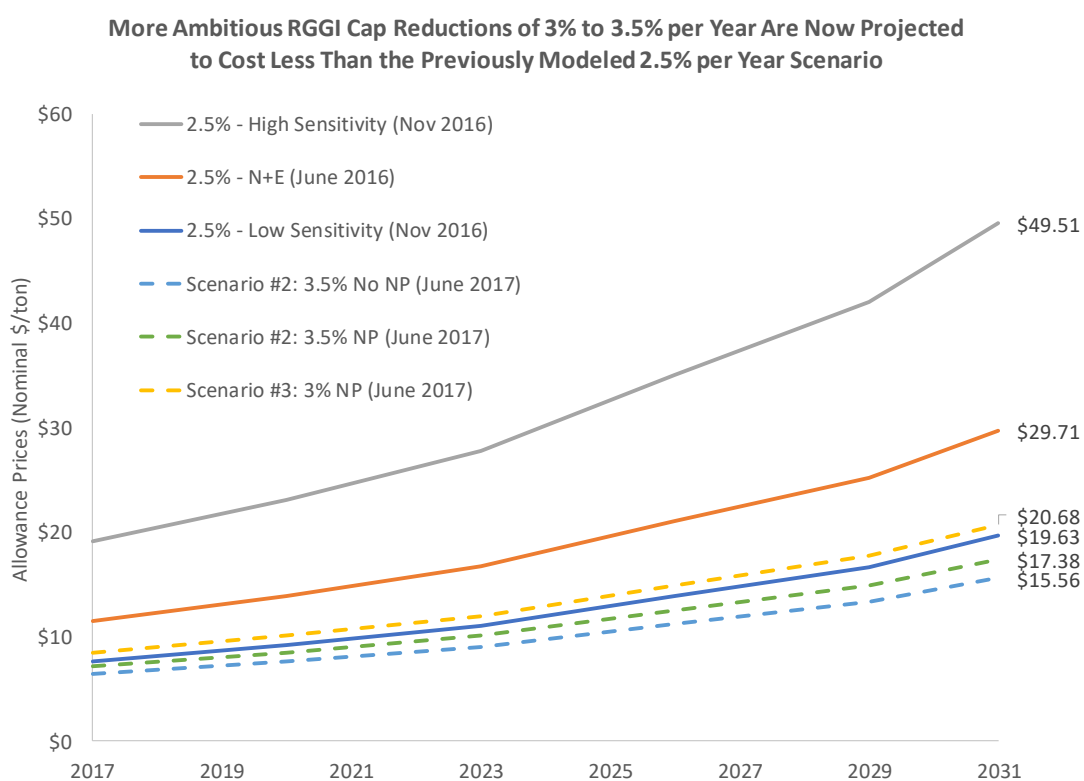
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<sup>7</sup> See, e.g., Analysis Group (2015), *The Economic Impacts of the Regional Greenhouse Gas Initiative on Nine Northeast and Mid-Atlantic States*, [http://www.analysisgroup.com/uploadedfiles/content/insights/publishing/analysis\\_group\\_rggi\\_report\\_july\\_2015.pdf](http://www.analysisgroup.com/uploadedfiles/content/insights/publishing/analysis_group_rggi_report_july_2015.pdf); RGGI (2016), *The Investment of RGGI Proceeds through 2014*, [https://www.rggi.org/docs/ProceedsReport/RGGI\\_Proceeds\\_Report\\_2014.pdf](https://www.rggi.org/docs/ProceedsReport/RGGI_Proceeds_Report_2014.pdf); Abt Associates (2017), *Analysis of the Public Health Impacts of the Regional Greenhouse Gas Initiative, 2009–2014*, <http://abtassociates.com/AbtAssociates/files/7e/7e38e795-aba2-4756-ab72-ba7ae7f53f16.pdf>.

<sup>8</sup> *Id.*; see also NRDC (2017), *No Reason to Wait: Why The Next RGGI Cap Should Begin in 2019, Instead of 2021*, [http://rggi.org/docs/ProgramReview/2017/04-20-17/Comments/NRDC\\_Comments.pdf](http://rggi.org/docs/ProgramReview/2017/04-20-17/Comments/NRDC_Comments.pdf); see also *Joint Stakeholder Comments on Proposed IPM Policy Cases*, (April 27, 2017), [http://rggi.org/docs/ProgramReview/2017/04-20-17/Comments/Joint\\_Comments\\_Environment\\_Health.pdf](http://rggi.org/docs/ProgramReview/2017/04-20-17/Comments/Joint_Comments_Environment_Health.pdf).

<sup>9</sup> To the extent that not all RGGI states are able to adopt the necessary cap correction by 2019, we urge the rest of the states to move forward with the cap correction and provide a mechanism in the Model Rule by which any remaining state or states can make this correction later, such as through a “catch up” adjustment in 2020 or 2021.

Additionally, we urge the states to adopt an annual emission reduction *at least* as ambitious as the 3.5% per year reduction modeled in Scenario #2. The recent ICF modeling makes clear that reductions of this magnitude are achievable, particularly now that the projected cost of reducing emissions has fallen *dramatically* from what the states were predicting even a few months ago. In fact, as represented by the cost of a RGGI carbon allowance, the projected costs of reducing emissions is now roughly half of ICF's November projection. As shown in the figure below, projected allowance prices in Scenarios #2 and #3, in which the RGGI cap would decline by between 3% and 3.5% per year, are *lower than* or nearly identical to the low sensitivity case of the least ambitious cap (a 2.5% annual reduction) that the states modeled last November. This is true even though Scenario #3 includes the aforementioned cap correction in 2019 and Scenarios #2 and #3 include a further reduction of 25 million tons between 2021-2025, intended to represent a full adjustment for excess banked allowances in RGGI at the end of 2020.



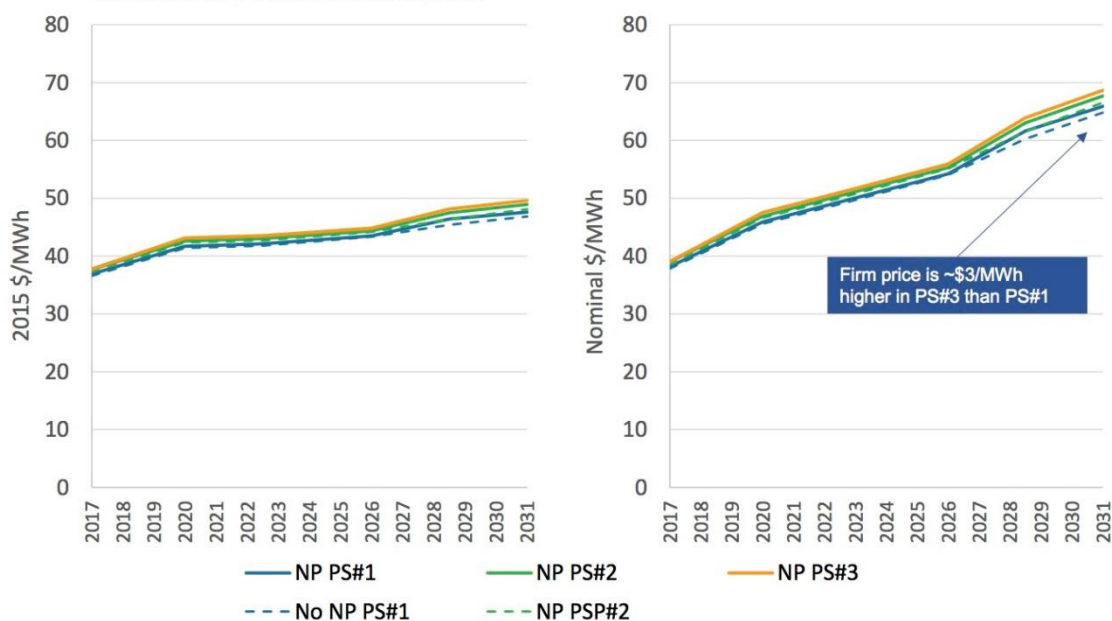
The dramatically lower cost projections are due to several favorable trends, including stronger renewable energy and energy efficiency policies adopted by several RGGI states over the last year, continued declines in the costs of renewable energy technologies like wind and solar, and continued low natural gas prices reflected in the newer modeling. Lower-cost emission reductions mean the states should be able to achieve even more reductions economically in the coming years, and should enhance the states' overall ambition.

Given these cost declines, we do not believe that the states should continue to consider the least ambitious scenario – Scenario #1, a 2.5% per year reduction – included in the most recent modeling. Not only have the costs of more ambitious reductions fallen, but as shown in the ICF figures below, the difference in projected power prices between the least ambitious Scenario #1

and the more ambitious Scenarios #2 and #3 is very small. Consistent with the need to act aggressively to address climate change, the states should remove Scenario #1 from consideration.

## RGGI Firm Power Prices

- The chart shows the projected RGGI average annual firm (energy + capacity) prices in constant 2015 and nominal dollars.



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Indeed, we continue to encourage the states to consider an even more ambitious cap reduction of 5% per year, which could lead to even greater benefits and help the states cost effectively achieve their 2030 climate goals,<sup>10</sup> together with other program design elements that will maximize the amount of pollution that RGGI will prevent through 2030. A reduction of this magnitude is broadly supported in the region.<sup>11</sup>

<sup>10</sup> A [study by Synapse Energy Economics](http://www.synapse-energy.com/sites/default/files/RGGI_Opportunity_2.0.pdf) found that strengthening the program so that it cuts pollution by 5 percent per year is a key element in a least-cost strategy to tackle global warming pollution across the entire regional economy. Moreover, it would have massive benefits. Cumulatively through 2030, this approach would reduce our energy bills across the nine-state region by more than \$25 billion, while creating almost 60,000 new jobs per year, on average. See Synapse Energy Economics (2016), *The RGGI Opportunity 2.0*, [http://www.synapse-energy.com/sites/default/files/RGGI\\_Opportunity\\_2.0.pdf](http://www.synapse-energy.com/sites/default/files/RGGI_Opportunity_2.0.pdf).

<sup>11</sup> More than 500 community leaders have called for a stronger Regional Greenhouse Gas Initiative cap trajectory of 5 percent – joined in June by 18 additional mayors from across the region, including Alex Morse from Holyoke, MA; Bridget Donnell-Newton from Rockville, MD; Joseph Ganim from Bridgeport, CT; Joe Baldacci from Bangor, ME; and Kendall Lane from Keene, NH. <http://www.environmentamerica.org/news/ame/more-500-leaders-call-doubling-strength-america%E2%80%99s-best-regional-climate-and-clean-air>. Many businesses also support a stronger Regional Greenhouse Gas Initiative. In August 2016, [CERES released a letter signed by more than 70 companies and 20 institutional investors](https://www.ceres.org/press/press-releases/90-) urging the states to double down on their efforts to reduce power plant pollution. The letter included major companies such as Unilever, Ben & Jerry's, the Gap, IKEA, Levi Strauss, Stonyfield, Staples, the North Face, Timberland and VF Corporation. <https://www.ceres.org/press/press-releases/90->

In selecting their preferred cap trajectory for the Model Rule, we further urge the states to consider the many benefits that more ambitious caps can provide. As noted above, ICF's modeling has not yet accounted for the economic *benefits* of RGGI, which are likely to reduce the relative costs of reducing emissions even further. In fact, electricity prices have *fallen* in the RGGI region since the program began while prices have increased in the non-RGGI states.<sup>12</sup> State reinvestments of proceeds from RGGI's carbon allowance auctions in energy efficiency and other programs have led to consumer bill savings. RGGI investments from the first six years of the program, through 2014, are expected to save consumers \$4.67 billion on their energy bills.<sup>13</sup>

By establishing a new cap level and more ambitious trajectory – at least as ambitious as the most ambitious caps under consideration by the states – as soon as possible – with a cap correction in 2019 – the RGGI states can accelerate progress in reducing emissions, set themselves up to reach their goals for preventing the worst impacts of climate change, and set a powerful example for other states, regions and the world.

## **II. The RGGI States Should Further Strengthen RGGI by Performing a Full Banked Allowance Adjustment; Adopting an Emissions Containment Reserve; Reforming the Cost Containment Reserve (if Retained); and Raising RGGI's Price Floor**

### **A. The RGGI states should conduct a full adjustment for banked allowances, consistent with the approach taken during the previous Program Review**

As this coalition has stated in previous comments,<sup>14</sup> a full adjustment for banked allowances is the most prudent policy for addressing the impacts of historic allowance oversupply. The RGGI states' decision in the previous Program Review to gradually eliminate all allowances banked prior to 2014 by adjusting 2014-2020 cap levels downward<sup>15</sup> proved to be an effective, innovative approach to addressing market oversupply while preserving the value of investments in RGGI allowances. Repeating this measure would help to provide market certainty, establishing a standard practice for the way the RGGI states will conduct periodic adjustments.

Concerns were voiced at the June 27<sup>th</sup> stakeholder meeting that a full adjustment for banked allowances would eliminate the allowance buffer that compliance entities depend on in order to

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[companies-and-investors-call-on-northeast-and-mid-atlantic-governors-to-double-down-on-their-efforts-to-cut-carbon-emissions](#). Additionally, more than [150 doctors, nurses, researchers and other medical professionals have](#) asked the states to cut power plant pollution by 5 percent per year.

[https://www.rggi.org/docs/ProgramReview/2016/06-17-16/Comments/Health\\_Professionals\\_Comments.pdf](https://www.rggi.org/docs/ProgramReview/2016/06-17-16/Comments/Health_Professionals_Comments.pdf).

<sup>12</sup> Acadia Center (2016), Regional Greenhouse Gas Initiative Status Report; Part I: Measuring Success,

[http://acadiacenter.org/wp-content/uploads/2016/07/Acadia\\_Center\\_2016\\_RGGI\\_Report-Measuring\\_Success\\_FINAL\\_08092016.pdf](http://acadiacenter.org/wp-content/uploads/2016/07/Acadia_Center_2016_RGGI_Report-Measuring_Success_FINAL_08092016.pdf).

<sup>13</sup> RGGI (2016) *The Investment of RGGI Proceeds through 2014*,

[https://www.rggi.org/docs/ProceedsReport/RGGI\\_Proceeds\\_Report\\_2014.pdf](https://www.rggi.org/docs/ProceedsReport/RGGI_Proceeds_Report_2014.pdf).

<sup>14</sup> *Joint Stakeholder Comments on Proposed IPM Policy Cases*, (April 27, 2017),

[http://rggi.org/docs/ProgramReview/2017/04-20-17/Comments/Joint\\_Comments\\_Environment\\_Health.pdf](http://rggi.org/docs/ProgramReview/2017/04-20-17/Comments/Joint_Comments_Environment_Health.pdf).

<sup>15</sup> This adjustment was conducted in two steps; one adjustment to account for allowances banked during the first control period (2009-2011) and a second adjustment for the second control period (2012-2014). For more information, see: <https://www.rggi.org/docs/SCPIABA.pdf>

react to variations in electricity demand and compliance obligations. The experience with the previous adjustment for banked allowances demonstrates that an adjustment conducted over multiple years provides ample opportunity for compliance entities to maintain an allowance buffer. 2014–2020 cap levels were adjusted downward by 140 million tons,<sup>16</sup> yet allowance prices are low and the allowance surplus remains substantial; through the end of 2016, the allowance surplus had only been reduced to 114 million tons.<sup>17</sup> An adjustment for banked allowances does not prevent compliance entities from maintaining an allowance buffer, and should the cost of maintaining that buffer ever become so high that an unreasonable burden is placed on ratepayers, additional allowances could be made available from the Cost Containment Reserve.

**B. The RGGI states should establish an Emissions Containment Reserve that maximizes low-cost emissions reductions**

The Emissions Containment Reserve (ECR) is yet another example of an innovative mechanism to improve RGGI market function. An effective ECR should allow the RGGI states to achieve greater emissions reductions when RGGI allowance prices are low, helping the RGGI states to meet climate targets without burdening ratepayers.

The size of the ECR should not be linked to the Cost Containment Reserve (CCR), but instead should be determined by the RGGI states' aspirational emissions goals. As was noted at the June 27<sup>th</sup> stakeholder meeting, the ECR and CCR serve very different purposes; the CCR is meant to provide price relief under exceptional circumstances while the ECR should be designed to reduce supply when abundant, low-cost emissions reductions are available. Each of these goals should be assessed independently, and the quantity of allowances in the ECR and CCR does not need to be equal.

Given that the withdrawal of allowances from the ECR represents a positive outcome for the environment (lower emissions) under acceptable market conditions (low allowance prices and minimal ratepayer burden), the ECR should be large enough to maximize benefits. An ECR with the potential to withhold 15 million allowances per year should be sufficiently large to meaningfully adjust supply if emissions and allowance prices fall well below projections. A multi-tiered ECR would enable the RGGI states to more closely balance supply and demand, without allowing small price changes to drive large changes in supply. A multi-tiered ECR would also lessen the likelihood of a single trigger price determining auction bids.<sup>18</sup>

Lastly, allowances withheld from the market due to the triggering of the ECR should be retired, ensuring the permanence of the associated emissions reductions.

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<sup>16</sup> For more information, see: <https://www.rggi.org/docs/SCPIABA.pdf>

<sup>17</sup> *Annual Report on the Market for RGGI CO<sub>2</sub> Allowances: 2016*, Prepared for RGGI, Inc. by Potomac Economics, May 2017. Available at: [https://www.rggi.org/docs/Market/MM\\_2016\\_Annual\\_Report.pdf](https://www.rggi.org/docs/Market/MM_2016_Annual_Report.pdf).

<sup>18</sup> An Emissions Containment Reserve (ECR) for RGGI: A Report on the Analytical Results, Resources For the Future and the University of Virginia, June 2017. Available at: <http://www.rff.org/events/event/2017-06/emissions-containment-reserve-ecr-rggi-report-analytical-results>.

**C. If the Cost Containment Reserve remains, price triggers must be increased and the allowance quantities should be auction-specific**

As we have commented previously, RGGI's current CCR undermines the climate goals of the region by releasing extra allowances to emit carbon pollution above RGGI's emissions cap. This undesirable outcome may be justifiable if it serves to mitigate price spikes only in times of unexpected and exceptional circumstances, but the CCR should not be triggered under normal market conditions as it was in 2014 and 2015.

The CCR's price triggers are too low, which has resulted in the CCR being triggered under normal market conditions, rather than serving the CCR's intended purpose of mitigating truly unanticipated price spikes in the region. We continue to support elimination or reform of the CCR to address these deficiencies. If the CCR is continued, reforms could include drawing CCR allowances from underneath the RGGI cap, similar to the approach used in California's emission trading program, where prices have been stable;<sup>19</sup> raising the CCR's price triggers to make the mechanism harder to pull; and limiting the size of the CCR to ensure that the region continues to make progress in reducing emissions.

In response to a question posed by the RGGI states, we would support auction-specific CCR allowance quantities, rather than allowing one year's worth of CCR allowances to be purchased at a single auction. If the annual allotment of CCR allowances remains 10 million, no more than 2.5 million allowances should be available for purchase at a single auction. This will protect against short-term price spikes having long-term supply impacts. However, it is also unclear that 10 million tons is necessary to provide reasonable cost containment, and as RGGI's cap continues to decline, we note that the current CCR level represents an increasingly large percentage of the total annual RGGI cap with the potential to significantly undermine emissions goals. We would support reconsideration of the CCR size and adoption of a lower volume.

**D. The Reserve Price must be increased to provide adequate price signals**

During previous periods of low demand for RGGI allowances, the reserve price played a crucial role in preserving the value of RGGI allowances while maintaining the RGGI states' abilities to reinvest in clean energy and energy efficiency. Due to the meager 2.5% annual increase, however, the reserve price has not kept up with the need to provide an adequate price signal to the market. The 2017 RGGI reserve price is \$2.15 per allowance, 84% lower than the \$13.57 reserve price used in California's carbon auctions.<sup>20</sup>

The RGGI reserve price should be increased substantially. If an ECR is established, we propose that the reserve price be increased to at least \$3.00, and that the price increase annually by 5% plus the rate of inflation, consistent with California's reserve price trajectory.<sup>21</sup>

<sup>19</sup> EDF, Carbon Market California: A Comprehensive Analysis of the Golden State's Cap-and-Trade Program, [http://www.edf.org/sites/default/files/content/carbon-market-california-year\\_two.pdf](http://www.edf.org/sites/default/files/content/carbon-market-california-year_two.pdf)

<sup>20</sup> Auction Notice, California Cap-and-Trade Program and Québec Cap-and-Trade System Joint Auction of Greenhouse Gas Allowances On August 15, 2017. Available at: <https://www.arb.ca.gov/cc/capandtrade/auction/aug-2017/notice.pdf>

<sup>21</sup> California Cap-and-Trade Program and Québec Cap-and-Trade System 2017 Annual Auction Reserve Price Notice



### **III. The RGGI States Should Perform an Environmental Justice and Equity Analysis**

We continue to urge the RGGI states to fully consider the implications of policy decisions made during this program review on low-income residents, communities of color, immigrants and other vulnerable communities in the region. We reiterate our prior request that the RGGI states conduct an environmental justice analysis as part of putting together a final policy package in order to elucidate the impact of the proposed combination of program elements on communities that are currently overburdened by pollution with heightened vulnerability to the impacts of climate change. This analysis should evaluate factors including: (a) co-pollutant impacts (e.g., nitrogen oxides, sulfur dioxide, particulate matter, and ground-level ozone); (b) the impacts of eliminating carbon-favorable treatment for biomass, which as a number of stakeholders have discussed in detail in prior comments could have large implications for overall emissions of both greenhouse gases and conventional pollutants in the region; and (c) the localized air quality implications of exempting fossil fuel generating units smaller than 25 MW that are part of larger agglomerations whose total generating capacity exceeds 25 MW. The exemption in the current RGGI model rules for units under 25 MW that are part of larger generating facilities has significant environmental justice implications in places like Sunset Park in Brooklyn, where facilities totaling several hundred MW are able to operate in close proximity to communities of color without internalizing any of the costs of their climate pollution.

### **IV. The RGGI States Should Continue to Explore Opportunities to Strengthen RGGI and Its National Influence by Growing the Market to Include New States**

We support the RGGI states' exploration of opportunities to expand the RGGI trading market. Given the progress the states have made in the 2016 program review, the commitment to release a draft Model Rule by late summer, and the likelihood that any expansion of the RGGI market will require longer discussions, we encourage the states to first prioritize a successful program review outcome, consistent with our recommendations above, among the nine current states.

Following a successful program review outcome, we believe there is significant potential for RGGI to expand its influence and benefits in future years by incorporating new states under the MOU or by linking to other markets. As we have previously commented,<sup>22</sup> the RGGI states have demonstrated that multistate trading offers distinct advantages over single-state approaches to reducing carbon emissions from the power sector. Larger emissions markets create more flexibility, expand opportunities for cost-effective emissions reductions, and raise greater quantities of revenue for reinvestment in consumer and clean energy programs. Uniform market rules also facilitate efficient planning and investment decisions. Incorporating new states could grow these efficiencies while helping further RGGI's goal of creating a model national program.

In pursuing greater participation or linkage, our broad recommendation is that the RGGI states seek opportunities to leverage RGGI and lessons from its implementation to date in ways that will achieve greater greenhouse gas emission reductions while ensuring economic, public health,

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[https://www.arb.ca.gov/cc/capandtrade/auction/2017\\_annual\\_reserve\\_price\\_notice\\_joint\\_auction.pdf](https://www.arb.ca.gov/cc/capandtrade/auction/2017_annual_reserve_price_notice_joint_auction.pdf)

<sup>22</sup> See, e.g., *Joint Stakeholder Comments on the RGGI Program Review* (May 9, 2017), [http://rggi.org/docs/ProgramReview/2016/04-29-16/Comments/Joint\\_Comments\\_Environmental\\_and\\_Health\\_Advocates.pdf](http://rggi.org/docs/ProgramReview/2016/04-29-16/Comments/Joint_Comments_Environmental_and_Health_Advocates.pdf).

and other benefits, in both RGGI and its expansion partners. We offer the following thoughts on the states' questions and considerations from the June 27, 2017, presentation:<sup>23</sup>

- **Types of Participation:** The most straightforward approach to growing RGGI would be for new states to adopt regulatory programs consistent with the RGGI Model Rule and related administrative processes – i.e., the “Full Participants” approach described by the states. Where possible, this makes sense as the preferred option. However, there may be situations in which a state is unable to fully participate in RGGI due to statutory or other barriers. In such situations, we support the RGGI states' exploration of ways to link with such states in ways that will enable the benefits of a broader trading market while ensuring the integrity of the RGGI program and its emission reduction targets.
- **Stringency:** The goal of linking with other states and/or markets should be to strengthen the RGGI market and its associated benefits. Accordingly, it is critical that market linkages be consistent with RGGI's overall goal of continued emission reductions. Done correctly, linking should ensure achievement of both the current RGGI states' emission reduction targets and the targets of RGGI's trading partners, but at a potentially lower cost, which can enhance market benefits and ambition. Clearly, any trading partner should commit to a declining cap that will achieve significant emission reductions below business as usual – as we expect the RGGI states to commit to in the current program review. While some transition period may be appropriate, it would likely make sense for RGGI and any new trading partners to eventually have emission reduction goals that are aligned, for example, in terms of annual or total percentage reductions.
- **Allowance Distribution:** The RGGI states have achieved significant benefits by auctioning allowances and reinvesting most auction revenues in programs that benefit consumers, including energy efficiency and renewable energy programs that reduce consumers' energy bills, contribute to additional emission reductions, and result in less money leaving the region to pay for imported fossil fuels. Comprehensive analyses have shown the benefits of these decisions.<sup>24</sup> We encourage the RGGI states to promote these best practices with trading partners and share their experiences to date. To the extent that trading partners are unable to fully adopt these practices, they should be encouraged to find ways to dedicate a minimum percentage of allowance value to consumer benefit, similar to the 25% requirement for consumer benefit that RGGI states have far exceeded in practice. Consistent with the equity considerations discussed below, trading partners should also be encouraged to return allowance value to communities overburdened by pollution and with heightened vulnerability to the impacts of climate change.
- **Fungibility:** The RGGI states must ensure that linking with new states or markets will preserve RGGI's high standards of environmental performance and avoid market

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<sup>23</sup> *RGGI Program Review* (June 27, 2017), [http://rggi.org/docs/ProgramReview/2017/06-27-17/ProgramElementsLinkages\\_06\\_27\\_17.pdf](http://rggi.org/docs/ProgramReview/2017/06-27-17/ProgramElementsLinkages_06_27_17.pdf), at slides 7-10.

<sup>24</sup> See, e.g., Analysis Group (2015), *The Economic Impacts of the Regional Greenhouse Gas Initiative on Nine Northeast and Mid-Atlantic States*, [http://www.analysisgroup.com/uploadedfiles/content/insights/publishing/analysis\\_group\\_rggi\\_report\\_july\\_2015.pdf](http://www.analysisgroup.com/uploadedfiles/content/insights/publishing/analysis_group_rggi_report_july_2015.pdf); RGGI (2016), *The Investment of RGGI Proceeds through 2014*, [https://www.rrgi.org/docs/ProceedsReport/RGGI\\_Proceeds\\_Report\\_2014.pdf](https://www.rrgi.org/docs/ProceedsReport/RGGI_Proceeds_Report_2014.pdf).

distortions that could undermine emissions goals. This includes ensuring that all allowances traded within RGGI are fully tracked and accounted for, which could be accomplished by trading partners adopting the RGGI COATS platform. The states must also avoid creating loopholes that could undermine RGGI. As we have commented previously in the context of the Clean Power Plan, it would not make sense, for example, for RGGI to link with a state that applies carbon caps only to existing power plants, as doing so would enable emissions leakage to new fossil fuel power plants and undermine RGGI's emission commitments. While it may be possible for RGGI and a linked market to cover slightly different sources – for example if a trading partner includes additional sources under its cap, in addition to RGGI covered sources – this should be carefully considered to ensure that doing so will not cause adverse impacts.

Thank you for considering our comments, and we look forward to further discussions with the states toward the development of a final Model Rule.

Respectfully submitted,

1199SEIU United Healthcare Workers East – Maryland/DC Division  
Acadia Center  
Appalachian Mountain Club  
Arise for Social Justice  
Chesapeake Climate Action Network  
Chesapeake Physicians for Social Responsibility  
Citizens Campaign for the Environment  
Coalition for Social Justice  
Connecticut Citizen Action Group  
Connecticut Fund for the Environment  
Conservation Law Foundation  
Efficiency for All  
Environment America  
Environment Connecticut  
Environment Maine  
Environment Maryland  
Environment Massachusetts  
Environment New Hampshire  
Environment New York  
Environment Rhode Island  
Environmental Advocates of New York  
Environmental Defense Fund  
Environmental Entrepreneurs (E2)  
Howard County Climate Action  
Handy Law, LLC  
Indivisible Howard County  
Institute for Energy and Environmental Research  
Interfaith Power & Light

League of Women Voters of Maryland  
Maryland Environmental Health Network  
Maryland League of Conservation Voters  
Moms Clean Air Force  
Natural Resources Council of Maine  
Natural Resources Defense Council  
Pace Energy and Climate Center  
Partnership for Policy Integrity  
Sierra Club  
Toxics Action Center Connecticut  
Toxics Action Center Maine  
Toxics Action Center Massachusetts  
Toxics Action Center New Hampshire  
Toxics Action Center Rhode Island  
Toxics Action Center Vermont  
Vermont Energy Investment Corporation  
Vermont Natural Resources Council