Edison Electric Institute
Power by Association℠

May 31, 2012

Nicole Singh
Acting Executive Director
Regional Greenhouse Gas Initiative, Inc.
90 Church Street, 4th Floor
New York, NY 10007

Dear Ms. Singh:

In response to RGGI's May 21, 2012, request for stakeholder input, please find enclosed comments by the Edison Electric Institute (EEI) in furtherance of the 2012 program review required by the RGGI Memorandum of Understanding. These comments address a series of topics regarding potential changes under evaluation by member states regarding offsets, cost containment reserve design, the control period and use of current market reserve price.

EEI is the association of U.S. shareholder-owned electric companies, international affiliates and industry associates worldwide. EEI represents approximately 70 percent of the U.S. electric power industry. EEI has been participating in this review process as an interested observer and stakeholder, as demonstrated by our participation in the various public stakeholder sessions and our February 10, 2012, comments in response to the January 24, 2012, Flexibility Mechanisms Learning session.

We appreciate the opportunity to comment on these additional issues raised in the RGGI review process, and plan to comment further as the review moves forward over the 2012 summer and thereafter. If you have any questions about our comments or would like to discuss them further, please contact Eric Holdsworth (202-508-5103, eholdsworth@eei.org) or me (202-508-5617, bfang@eei.org).

Sincerely,

William L. Fang

William L. Fang
Deputy General Counsel and
Climate Issue Director

Enclosure

WLF:eh

Edison Electric Institute Comments on RGGI Program Design Elements

May 31, 2012

As part of the second Regional Greenhouse Gas Initiative (RGGI) control period comprehensive program review required by its original Memorandum of Understanding (MOU),[1] RGGI requested stakeholder comments on a series of questions regarding program design elements described in section III of the RGGI document titled "May 2012 Materials for Stakeholder Comment." The document requests that stakeholders submit comments to RGGI by May 31, 2012.

The document indicates that no final decisions have been made by the RGGI states on the comprehensive review questions and issues previously presented, or on the questions and information provided by the document noted above.

While the Edison Electric Institute (EEI) welcomes the opportunity to respond to the request for stakeholder comments, the time afforded by RGGI for such comments, which includes a national holiday, is overly brief, particularly given the late date when the questions were made available to stakeholders and the public. In this regard, we join others in calling for an extension of the comment period in order to allow stakeholders to develop more detailed, comprehensive comments on these important topics. Nonetheless, these comments are an attempt to be as

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[1] The original RGGI Memorandum of Understanding is dated December 20, 2005. It was amended in 2006 and 2007.

responsive as possible to each of the listed topics. However, the extremely limited comment period does not afford an opportunity to respond to the questions in greater detail.

The RGGI Program Review Anticipated Schedule for the Summer of 2012 calls for the assembly of a comprehensive set of recommendations and the holding of a stakeholder meeting to review revised macroeconomic modeling results for policy scenarios and to present those recommendations to stakeholders. In order for stakeholders to consider and provide meaningful comments, it is critical that those results and recommendations be made available to stakeholders well in advance of that meeting for review.[2]

I. General Comments

As with comments EEI submitted to RGGI on February 10, 2012 – which were posted and made publicly available by RGGI – EEI requests that the comments contained herein also be posted and be listed under this May review. The February 10 comments are also relevant to many of the matters raised in section III of the RGGI request, particularly as they relate to various approaches regarding flexibility mechanisms, and they are attached as part of this submission.

The section III outline covers potential changes or modifications regarding the various design element topics therein that are under evaluation by the participating RGGI states. However, this

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[2] The schedule indicates that based on those recommendations, state-specific public processes and legislative/rulemaking processes with potential refinements (as necessary and appropriate) will take place in 2012. However, the schedule seems to suggest that the last input on the scenarios and recommendations by stakeholders under RGGI will only be in connection with this summer meeting, which makes it even more important that the modeling results and recommendations are fully developed and provided to stakeholders well in advance of the stakeholder meeting this summer.

is a piecemeal approach, and does not, for example, address what changes are contemplated regarding other important issues or matters under review, such as proposals to realign the emissions budget to, among other things, alleviate a reported surplus of allowances. Knowing what is contemplated for the emissions budget could have an influence on stakeholder thinking about such other changes and modifications also being evaluated by the states. Apparently, the results of the evaluations by the RGGI states must await the recommendations that will be assembled in the summer.

II. Specific Comments

A. Offsets

Section III of the RGGI request points out that, as of the date of the RGGI document, there have been no offsets applications, and thus no offsets projects registered nor any offsets allowances issued during the second control period, despite the fact that the RGGI MOU provides for the use of offsets by units subject to the Program (MOU sec. 2.F).[3] The section adds that the states have been evaluating the offsets program to identify why there have been no such applications, projects and allowances, and if there are opportunities for improving the offsets program in order to make more offsets available in the RGGI region, while maintaining environmental integrity. The program has not met expectations, due in part to its overly stringent requirements and limitations. The section lists some potential improvements to the offsets program, such as addressing changes in existing RGGI offsets project categories, adding project category types for RGGI acceptance and broadening the geographic limits for offsets projects.

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[3] EEI notes that the RGGI Offset Handbook points out that, as of May 2010, no RGGI participating state had been approached by any other non-RGGI jurisdiction, including California, expressing an interest in executing an offsets MOU for projects.

Regardless of the lack of offsets applications or projects to date, the RGGI states are strongly urged not only to retain an offsets program under the MOU but also to improve it operationally. EEI has previously urged changes in the Program, including to the underlying MOU provisions and related Model Rule, to ensure that there are applications, projects and offsets allowances for the next control period.

Expansion and change of the offsets program, including the MOU provisions, should include 1) broadening both the approved project types and the geographic location of offsets projects and 2) eliminating current restrictions on the use of allowances. Allowing more project types from a broader geographic area – including outside the U.S. – will help to expand the supply of offsets projects and credits, giving covered entities more options for complying with the reductions targets in a manner that helps minimize economic impacts. Furthermore, eliminating the current 3.3-percent limit on use of offsets for RGGI compliance will allow covered entities to leverage low-cost, intra-company offsets opportunities, such as sulfur hexafluoride reductions, that went unused during the first compliance period due to the high transaction cost of applying for and obtaining offsets.

Furthermore, there is no reason for the participating RGGI states not to accept offsets projects that have been undertaken in accordance with methodologies and guidelines approved by other states, regions, countries or organizations. For example, California, under its state-wide cap-and-trade program, allows covered entities to convert credits from the "early action" offsets project protocols developed by the Climate Action Reserve. These early action credits include several different types of offsets projects that are not currently recognized by RGGI, such as forestry and urban forestry, and destruction of U.S. ozone-depleting substances. Offsets project types in California must be undertaken in accordance with strict, state-approved methodologies. Given the rigor of the California program – which will try to link its trading program to the Quebec emissions trading program – there is no need to exclude such projects. Similarly, projects undertaken through the clean development mechanism (CDM), which is part of the United Nations Framework Convention on Climate Change's Kyoto Protocol, must also meet a high degree of rigor given that many nations – such as those in the European Union – allow their covered entities to use such offsets in complying with the Protocol reduction targets. Certainly this should provide more that reasonable assurances that such projects and project types are valid, and should therefore be acceptable to RGGI states. It would seem unlikely that RGGI states should find such projects and their underlying methodologies lacking for the RGGI program.

Finally, there are several nationally recognized organizations – such as the American Carbon Registry (ACR) – that have undertaken extensive public outreach and stakeholder input in developing offsets project methodologies, and these offsets should also be recognized under RGGI. To this point, the regulations for the California program provide that third-party Offset Project Registries can provide registry services to the program, which will allow California to outsource some of its administrative functions to existing voluntary registries approved by the California Air Resources Board. For example, the ACR is continuing to develop additional offsets project methodologies for possible inclusion in the California program, such as one for methane reductions from rice cultivation. Again, there is no reason for RGGI not to accept or include such project types and methodologies, which by their very definition would also expand the geographic scope of the RGGI offsets program.

It is, however, unclear whether the states are leaning toward adopting all or most of the listed improvements or just a very few. Even in the absence of knowing what the details would be for implementing these several improvements, a more expansive list of improvements would seem to be in the RGGI program's best interests, assuming that the objective is to foster an effective offsets program consistent with maintaining environmental integrity. The fact that the MOU specifically includes a lengthy, detailed section on offsets strongly suggests that the signatory states in 2005 viewed it as an important component of the RGGI program. These improvements, subject again to the details, appear to offer hope that those expectations could be realized in the next control period.

B. Cost Containment Reserve (CCR) Design

Section III of the RGGI request explains that as a result of stakeholder comments, the RGGI states are evaluating use of a CCR as a flexibility mechanism – including incorporating a CCR in some of the potential Integrated Planning Model (IPM) modeling scenarios – which is a welcome development. The section then asks a number of questions about how to implement a CCR, including discussions about the advantages or disadvantages of various means and approaches, administrative changes and processes, and the mechanism for determining price triggers.

As noted in comments submitted earlier this year by EEI, which addressed some of these potential mechanisms and related implementation issues generally, the most direct and efficient means of containing the costs of a cap-and-trade program is to impose an upper limit on the price of an emissions allowance, (i.e., establish a safety-valve price). There may be concerns that a simple safety valve may not adequately incentivize investment in zero- and low-emissions GHG climate technologies. An alternative approach is to establish an allowance price pathway, with a ceiling price and a floor price. This concept, known as a price collar, can help to establish a predictable price pathway, limit allowance price volatility and thus manage the overall cost of the program, including to energy consumers. RGGI already incorporates the floor of the price collar, which is known as the "reserve price" in the allowance auctions. The addition of a ceiling price to trigger use of an "allowance reserve" could be incorporated into the RGGI system, along with the modified offsets program described above.

Access to the CCR should be limited to entities subject to compliance under the RGGI program, since they would be the entities potentially in need of allowances. Allowing other entities to participate in the purchase of CCR-based allowances would create higher demand and drive prices up, making compliance costs higher for electric utilities and their customers. Entities that are not subject to compliance under RGGI are already allowed to participate in the standard quarterly auction. Regarding the size of the potential CCR, RGGI should consider expanding the CCR to more than the suggested 10 million metric tons per year in case there is a greater need to tap into the CCR. In addition, unused CCR allowances should be made available the following year, either under the CCR or better yet via the auction process.

Given the extremely short comment period and the fact that the section does not address the need for more CCR details as raised previously by stakeholders, it is difficult to comment in greater detail at this time. The lack of these details is significant. It is also questionable why the current focus appears to be only on a CCR, given the range of other mechanisms raised in earlier comments.

C. Section V – Control Period

According to section V of the RGGI request, the RGGI states are in the process of evaluating the current three-year control period to determine if there is potential for improvement, such as improving enforceability. As of now, the MOU requires compliance entities to provide allowances equal to their emissions at the end of each three-year control period. The section is apparently considering a variety of potential changes – including an extension to a four-year period if a stage two trigger event occurs – to the control period and the compliance process.

Unfortunately, there is no explanation as to why the states are evaluating changes to the control period or why there is a need to improve enforceability. To date, there have been no issues with compliance with the reductions targets by covered entities, so no changes would appear to be necessary. Furthermore, as many stakeholders argued during the formation of the initial RGGI program, allowing a three-year compliance period gives covered entities greater flexibility in meeting their reductions commitments in the most cost-effective manner possible, thereby reducing potential economic impacts on electric utility customers. In addition, there does not appear to be any suggestion in RGGI's May 2012 "Annual Report on the Market for RGGI CO_2 Allowances: 2011" as to a need for changes to the three-year control period. The current control period has proven to be effective in meeting the reductions targets and in minimizing economic impacts, and it should be retained, although an expansion to a four-year period in the event of a stage 2 trigger event would also be welcome. It would certainly not be helpful, and would limit the compliance flexibility of covered entities – thereby potentially increasing the costs of the program for electric utilities and their customers – if the current control period were to be reduced, including to annual true-ups.

Furthermore, if the program were to be changed to an annual true-up, then there would need to be some type of policy mechanism to accommodate allowance vintage issues for compliance entities. For example, the RGGI market participants look at allowances as phase I (2009-2011) or phase II (2012-2014). Hypothetically, if a compliance entity were to purchase all vintage 2013 allowances for phase II compliance, it could lead to problems for 2012 compliance, if the true-up period were to be changed to an annual compliance cycle at this time. Therefore, there needs to be adequate notice to compliance entities before making this type of program change. If the RGGI states do move forward with this type of program change, we strongly urge that this type of change become effective no earlier than 2015, assuming adequate notice to compliance entities early during the phase II compliance period.

Attachment

EDISON ELECTRIC INSTITUTE

February 10, 2012

Nicole Singh
Acting Executive Director
Regional Greenhouse Gas Initiative, Inc.
90 Church Street
4th Floor
New York, NY 10007

Re: info@rggi.org

Dear Ms. Singh:

Enclosed are comments by the Edison Electric Institute (EEI) regarding the 2012 comprehensive program review required by the RGGI Memorandum of Understanding (MOU). These comments address a series of questions on offsets and cost containment allowance reserve issues raised in the notice for the January 24, 2012, RGGI Learning Session, which asked for stakeholder input on those issues. EEI is participating in the RGGI process as an interested observer, and requests that our comments are posted on the RGGI web site.

EEI is the association of U.S. shareholder-owned electric companies, international affiliates and industry associates worldwide. EEI represents approximately 70 percent of the U.S. electric power industry.

We appreciate the opportunity to comment on issues raised in the RGGI review process to date, and plan to comment further as the review moves forward. If you have any questions about our comments or would like to discuss them further, please contact Eric Holdsworth (202-508-5103, eholdsworth@eei.org) or me (202-508-5617, bfang@eei.org).

Sincerely,

William L. Fang

William L. Fang
Deputy General Counsel and
Climate Issue Director

Enclosure

WLF:eh

Edison Electric Institute Comments on Offsets and Flexibility Mechanisms – Regional Greenhouse Gas Initiative 2012 Program Review

February 10, 2012

As part of the 2012 Regional Greenhouse Gas Initiative's (RGGI) Comprehensive Review by the Signatory States, RGGI recently posted a series of questions on offsets and cost containment allowance reserve issues as part of the notice for a January 24, 2012, Learning Session, and asked for stakeholder input on those issues. The notice explains that "no offset allowances have been awarded in the RGGI region" to date and suggests that "potential reasons" may include the lack of supply of offsets in the region (which presumably is attributed to the lack of offsets projects in the region), the low price of allowances, and the requirements for approval of offsets projects. Stakeholder input is sought as to why offsets are not currently in use in the region. The notice also indicates that the states are considering how to make more offsets available in the region while maintaining environmental integrity, and seek stakeholder input on the opportunities and challenges of expanding the supply of offsets, including the broadening of limits on the geographic location and category types. This raises the possibility that states may seek changes to the RGGI Memorandum of Understanding (MOU) and Model Rule XX-10 regarding offsets in the future.

The Edison Electric Institute (EEI) welcomes the opportunity to provide comments evaluating the role of, and what changes are needed to foster the full utilization of, offsets, cost-containment allowance reserve pools and other potential flexible mechanisms. In fact, the RGGI MOU calls for such an evaluation by the states, particularly in the case of offsets, and for recommended changes to the CO_2 Budget Trading Program where warranted. Our comments are intended to be responsive to the notice's inquiry about the RGGI offsets program and possible use of other flexibility mechanisms.

EEI is the association of U.S. shareholder-owned electric companies, international affiliates and industry associates worldwide. EEI members serve 95 percent of the ultimate customers in the shareholder-owned segment of the industry, and represent approximately 70 percent of the U.S. electric power industry. EEI member companies have a strong interest in the RGGI Program Review since they are covered sources under the RGGI program.

I. General Comments

It is reasonable to assume that economic conditions will improve and that the RGGI states will experience economic growth, which will increase emissions and therefore demand for allowances during the current and future compliance periods. This likely increase in demand for allowances, combined with the likely decreased supply as the RGGI program evolves, will mean that the RGGI region will need the utilization of offsets and possibly other flexible mechanisms, making RGGI's consideration of expanding the use of offsets and incorporating other flexibility mechanisms very timely.

Offsets offer the potential not only to increase compliance flexibility and cost-effectiveness for generators, but also for measurable environmental benefits to the RGGI states, electric utilities and their electricity consumers. As a result, according to RGGI

Fact Sheets and other publications, "RGGI Offsets" are viewed by the Signatory States as an important component of each state's program. Accordingly, the RGGI MOU and the Model Rule – on which state CO_2 Budget Tracking Programs are based – have established requirements for the utilization of the offsets mechanisms. In addition, in May 2010 the region published an 81-page Offset Handbook to explain RGGI's Model Rule.[1]

As RGGI moves forward with its program review, we strongly encourage RGGI to retain and expand the current offsets provisions to ensure that there is an adequate supply of offsets and to help covered sources meet the RGGI emissions caps in the most cost-effective fashion. Expansion of the offsets provisions should include broadening both the approved project types and the geographic location of offsets project activities, and eliminating the current restrictions on the use of allowances. EEI also encourages RGGI to incorporate additional flexibility mechanisms into the program, including cost containment. In particular, the use of a safety valve or price collar can help ensure price stability and facilitate compliance planning. As RGGI considers the possible strengthening of the program, it will be more important than ever that RGGI utilize a wide range of flexible mechanisms, such as the expanded use of offsets and cost-containment mechanisms, in addition to its emissions trading program. These mechanisms can help ensure that the RGGI emissions caps are met in a responsible way that does not unduly affect electricity rates.

[1] The handbook contains a caveat that it is for "informational purposes only" and "does not constitute formal guidance or an official integration of any individual RGGI participating state regarding its CO_2 Budget Tracking Program."

II. Specific Comments On Offsets

A. The Geographic Location of Offsets Projects Should Be Broadened

Because GHGs are well-mixed in the atmosphere, are carried long distances and are a global phenomenon, it makes no difference to the atmosphere where a U.S. electric utility reduces, avoids or sequesters GHGs – whether inside its plant's boundaries, inside its service area, inside a state, inside the RGGI region, inside the U.S. or even outside the U.S., the impact is the same.

While the amended MOU specifies that allowances may be awarded for projects anywhere in the U.S., it requires that at least one of two conditions be met for projects located outside the region: 1) that there be a cap-and-trade program "in place" with a specific tonnage limit; and/or 2) that there be an executed MOU with a RGGI state under which the non-RGGI state or other jurisdiction agrees to aim at ensuring the credibility of the offsets allowances from the state. Because the words "and/or" connect the two conditions, this creates uncertainty for offsets project developers and covered sources whether a RGGI state may require these other jurisdictions to meet one or both conditions, delaying offsets project development.

Furthermore, imposing one or both of these requirements before offsets projects are even initiated may be viewed by non-RGGI governmental jurisdictions as either too burdensome or overkill, particularly given the fact that there is only one non-RGGI state, California, with a cap-and-trade program. It is worth noting that the RGGI Offset Handbook states that as of May 2010, the RGGI participating states had not been approached by any other jurisdiction interested in executing an offsets MOU and that there were no active efforts to negotiate such an MOU with any other jurisdiction (p. 22).[2]

As a result of these requirements, offsets projects are effectively limited to solely within the RGGI region. In order to enhance the supply and use of offsets, RGGI should encourage offsets projects outside the region – particularly if the caps are tightened or the pool of available allowances is reduced. Signatory States should also examine the current requirements to see whether they are practical or even necessary. RGGI and the Signatory States may also want to consider allowing the use of certified emission reductions from the clean development mechanism under the Kyoto Protocol. This would be another means of expanding the geographic location of offsets projects under RGGI, and making more offsets available.

B. Project Category Types Should Be Expanded

The amended MOU lists only five categories of offsets projects "that may be eligible" for allowances. They are:

1) Landfill methane (CH_4) capture and destruction (Mode Rule XX-10.5(a)).

2) Reduction in emissions of sulfur hexafluoride (SF_6) from equipment in the electricity transmission and distribution sector (Model Rule XX-10.5(b)).

3) Sequestration of carbon due to conversion of land from non-forested to forested (Model Rule XX-10.5(c)).

[2] In addition, in May 2010 a working group composed of the Midwestern Greenhouse Gas Reduction Accord, the Western Climate Initiative and RGGI designed criteria for a white paper, without stakeholder input, for what was described as a high-quality offsets program. However, these other non-RGGI GHG regional programs have not yet been fully established, nor have these regions established GHG emissions trading or offsets programs.

4) Reduction or avoidance of CO_2 emissions by reducing combustion of natural gas, oil or propane in an existing or new commercial or residential building due to end-use energy efficiency (Model Rule XX-10.5(d)).

5) Avoided methane emissions from agricultural manure management and organic food waste through use of an anaerobic digester and capture and destruction of methane (Model Rule XX-10.5(e)).

All were established by the amended MOU and the Model Rule in 2006 and restated in the Offset Handbook in 2010. While the MOU provides that the Signatory States agree "to continue to cooperate on the development of additional offset categories and types, including other types of forestry projects and grassland revegetation projects," such development – if it has occurred – apparently has not resulted in any expansion of the list in six years. The Learning Session notice suggested that adding such category types is one way to make more offsets available. Indeed, increasing the number of categories and types of projects allowed will benefit both the region and its electricity consumers. The Signatory States are certainly capable of managing the offsets program effectively and ensuring environmental integrity regardless of the number of eligible projects or their location.

C. Percentage Limitations on Offsets Allowances Should Be Abandoned

Not only does the amended MOU restrict the types and locations of offsets projects, it also prescribes a 3.3-percent limit on how many offsets allowances a covered source (i.e., any plant, facility, etc. that emits or has the potential to emit any air pollutant) may utilize for any 12-month timeframe within each compliance period (Model Rule XX-6.5). This percentage can only be increased if the allowance price averages at or above $7 or $10 (in 2005 dollars), which, based on current pricing experience, does not appear likely. Even when or if the price threshold is triggered for a compliance period, it is set back to the earlier percentage for the next period.

These added restrictions not only introduce unnecessary complexity into the RGGI offsets program, more importantly they preclude, when combined with the rigorous application process, the use of more cost-effective compliance options that could save electricity consumers millions of dollars annually. For example, covered entities and project developers are likely to assume that use will be limited to 3.3 percent, and therefore only plan or develop projects up to that level, if at all. In some cases, covered entities have chosen not to apply for allowance offsets for voluntary, large-scale emissions reductions because the rigorous application and verification process makes the transaction costs of registering the small number of offsets that could be used under the current RGGI offsets usage limits more expensive than the potential value of the offsets. If the RGGI ceiling on offsets usage were removed or raised significantly, the transaction costs of registering such offsets could be spread over a greater number of offsets, giving entities a compelling reason to move forward with the application process, which in turn, would mitigate the costs of the RGGI program for electricity customers.

In short, maintaining this percentage limitation would be an unnecessary drag on the usefulness of the offsets mechanism, particularly if the Signatory States opt to tighten the 2015-2018 caps and as the economy improves. These restrictions clearly need significant revision, such as either eliminating or at least adjusting upward the percentage limit and making it fixed. In short, RGGI should either reform the current structure of these usage limits or eliminate them all together.

Finally, as noted earlier in these comments, in 2010 RGGI helped develop a white paper that purported to describe offset quality criteria, including criteria for determining additionality, all of which appear to go beyond the current RGGI additionality requirements set forth in the MOU and model rule. We would strongly urge RGGI not to adopt such apparently new requirements for the RGGI offset program, as they could adversely impact the development of offsets.

III. Comments on Cost-containment Mechanisms

The Learning Session notice explained that the RGGI states, in addition to evaluating the amended MOU offsets previsions, are looking at other flexibility mechanisms, such as an allowance reserve. The notice asks questions regarding the benefits and workability of such a reserve, including how such a reserve and an offsets program might work together.

While the most direct and efficient means of containing the costs of a cap-and-trade program is to impose an upper limit on the price of an emissions allowance, (i.e., establish a safety-valve price), there may be concerns that a simple safety valve may not adequately incentivize investment in zero- and low-emissions GHG climate technologies. An alternative approach is to establish an allowance price pathway, with a ceiling and floor price. This concept, known as a price collar, can help to establish a predictable price pathway, limit allowance price volatility, and thus manage the overall cost of the program, including to energy consumers. RGGI already incorporates the floor of the price collar, which is known as the “reserve price” in the allowance auctions. The addition of a ceiling price to trigger use of an "allowance reserve" could be incorporated into the RGGI system, along with the modified offsets program described above.

As mentioned above, the ceiling of the price collar would function by creating a trigger price to address high allowance prices, which would provide access to an "allowance reserve," which would increase quantities of allowances in the market in the near term, placing downward pressure on allowance prices. The price "band" between the floor and ceiling prices could be narrow in the early years to provide more predictability and limit volatility, with both the price differential and overall price levels increasing over time.

IV. Conclusion

Offsets offer an important flexible tool for compliance in a cap-and-trade system for electric utilities by allowing covered entities to comply in a cost-effective manner that minimizes impacts on customers. Unfortunately, that tool has not yet been available within RGGI, in part because of the limitations imposed on offsets discussed above. The MOU-required review offers a clear opportunity for RGGI to correct this problem, and develop a user-friendly and effective offsets program with environmental integrity.

In addition, RGGI should consider other flexibility mechanisms during its program review, including an allowance reserve, coupled with an upper ceiling price collar.