



CLEAN WATER ACTION

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Comments from Clean Water Action Rhode Island on “Auction Design for Selling CO2 Allowances Under the RGGI”

Clean Water Action applauds the efforts of the RGGI Auction Team in moving the auction process forward. We appreciate all of the hard work that has gone into the process and this opportunity to weigh in on the process.

It is important RGGI, Inc. move forward with the initial auction in 2008 for price discovery and market assurances. Having the auction set up will help ensure a seamless transition to a carbon-regulated economy. In spite of a lack of data on current emissions, we can still take steps to create a stable market through the creation of a stable carbon market and working auction by setting an appropriate reserve price, which is generally standard in the design of auctions.

We also believe that RGGI, Inc. should guard against below-value prices for carbon permits so that RGGI ultimately remains a vehicle for reducing carbon pollution. If there is a diminished economic reason for power plants to operate more efficiently, we will miss out on an opportunity for meaningful pollution reductions. With this in mind, it is important to establish a floor reserve price to protect the integrity of the carbon market, prevent collusion, and help drive our economy toward energy efficiency and renewable energy sources. Allowances not sold at the reserve price should be taken out of circulation through retirement.

To maintain a fair and thriving auction, oversight is needed to prevent market manipulation. There should be high levels of collaboration with the three regional ISO/RTOs. This collaboration should be assisted through a third party market monitoring entity.

RGGI's success will rely heavily upon a successfully designed auction, one that incorporates a healthy auction trade market that gives proper price signals for pollution credits and guards against collusive behaviors. By adopting these suggestions, RGGI can set a strong precedent for how to successfully adopt a cap and trade system.

Sincerely,
Denise Parrillo
Campaign Organizer
Clean Water Action Rhode Island