

**To:** Staff Working Group for RGGI Allowance Auction Design

**From:** Massachusetts Sierra Club

**Date:** November 15, 2007

**Regarding:** Final Report, October 2007: *Auction Design for Selling CO<sub>2</sub> Emission Allowances Under the Regional Greenhouse Gas Initiative*

The Massachusetts Chapter of the Sierra Club, representing 20,000 members, wishes to thank you for this opportunity to submit these comments.

While we are not proposing any substantial improvements to the proposed auction design at this time, we nonetheless would like to voice some concerns and suggest some enhancements:

- Leakage, where RGGI would not take into account the use of coal-generated electricity from states that are not participating in RGGI (e.g., Pennsylvania, Ohio), remains a major concern for us. We strongly encourage you to use the auction process to address the leakage problem. A possible method is that a state's cap be adjusted if they use out-of-region power that leads to higher CO<sub>2</sub> emissions.
- Hard values should not be assigned as price triggers (\$7 per ton in 2005 dollars for Stage 1 of RGGI and \$10 per ton in 2005 dollars for Stage 2). The value of allowances may increase as the caps change over time, so the price trigger should be allowed to adjust itself based on natural market mechanisms.
- We are also concerned about the potential excess of allowances in the first auction. We agree with the state of Massachusetts's intention of retiring excess allowances and encourage the reserve price to be set at a level that will ensure the auction generates sufficient funding. Also, we agree that the reserve price should not be announced publicly before the first auction.

Overall, RGGI needs to achieve a demonstrated reduction of CO<sub>2</sub> emissions over time. The auction design should be adjusted as necessary to ensure Massachusetts achieves this overarching goal.

Very truly yours,

David Heimann, Chair  
SIERRA CLUB, Massachusetts Chapter