



May 22, 2006

Dear Staff Working Group Members,

Citizens Campaign for the Environment (CCE) is an 80,000-member, non-profit, non-partisan, advocacy organization working to protect public health and the natural environment in New York, Connecticut and New Jersey. CCE works to build widespread citizen understanding and advocacy for policies and actions designed to manage and protect interdependent land and water resources, wildlife and public health.

CCE actively promotes policies and actions at the local, state, and federal level that reduce greenhouse gases and promote clean, renewable energy solutions. CCE applauds the states involved in the Regional Greenhouse Gas Emission (RGGI) process for taking an important step towards reducing greenhouse gas emissions.

CCE commends the participating RGGI states, and their Staff Working Group representatives for all of the hard work and foresight that has gone into the process of developing RGGI. This monumentally forward-thinking initiative will serve as a template for future greenhouse gas (GHG) reduction initiatives and provide the framework for a national initiative. In the absence of federal leadership on climate change, RGGI participants have set the bar high for other states and, indeed, the federal government by reducing the regional contribution to a global problem.

In response to the requested areas of comment, CCE offers the following:

1. Offset Additional Issues:

The draft model rule seeks to separate RGGI from existing Renewable Portfolio Standard (RPS) and System Benefit Charge (SBC) programs in order to maximize the impact of RGGI and to ensure its meaningfulness. CCE believes that while these are laudable goals, we are concerned that disallowing worthy projects requiring multiple incentives to be viable could be detrimental to advancing RGGI's overarching goal of reducing the region's GHG contribution. RGGI can and should complement existing measures, such as RPS and SBC incentives and states willing to make such investments should not be penalized. **Qualified RGGI offset projects should allow for the competitive capture of incentives from other programs, such as RPS and SBC.**

2. Development of Standardized Offset Criteria for the Natural Gas Transmission and Distribution Category

CCE believes that it is important to reduce natural gas losses. If the process of determining a satisfactory method of reducing those losses would delay implementation of RGGI, CCE would support finalizing the draft model rule without a standardized offset criteria but with the working group continuing to address natural gas transmission losses.

CCE offers the following additional comments in response to the Draft Model Rule:

Offsets

CO₂ emissions offset projects play an important role in making real reductions in GHGs in significant, yet attainable ways. **CCE supports the inclusion of offsets in the Model Rule, but cautions the Staff Working Group to be vigilant in ensuring that the offsets are “real, surplus, verifiable, permanent and enforceable,” as outlined in the MOU signed by the governors.**

Pollution from Imported electricity (“Leakage”)

CCE is concerned that energy imported into the RGGI region will not be covered by the RGGI cap-and-trade system. The RGGI region, as a whole is already a net importer of electricity. It is our concern that further imports from outside the region could undermine RGGI without an associated reduction in the cap. This situation should and, by all accounts, will be monitored closely by interested parties, including state governments and environmental organizations. **CCE urges the Staff Working Group to move ahead with the process of finalizing the Draft Model Rule and continue to monitor how imported electricity affects the impact of RGGI.**

Co-fired facilities, if exempted, should reduce the state cap

Although facilities co-fired with biomass and fossil fuels have a smaller impact on climate change, they are not carbon neutral and should therefore not be fully exempted. CCE recommends a partial exemption based on the percentage of fuel coming from biomass. **Any exemptions, full or partial, should correspond with reductions in the state carbon cap.**

Credit Allocation

CCE supports 100% consumer allocation of credits. Generators should purchase credits needed with those dollars to underwrite programs for energy efficiency, renewable energy development, and consumer rebates to offset potential bill increases.

CCE appreciates the opportunity to comment on Draft Model Rule for the Regional Greenhouse Gas Initiative.

Sincerely,

Emmett Pepper
Program Coordinator