Emera Energy

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

Dear Ms. Singh:

Emera Energy is pleased to submit the following comments regarding the 2016 Regional Greenhouse Gas Initiative, Inc. (RGGI) 2016 program review. We are actively participating in the RGGI program review process and were in attendance at the November 17 stakeholder meeting in New York. As a compliance entity, it is important for us to understand our ongoing obligations pursuant to RGGI, especially if any wide-scale changes are made to the program design as a result of the 2016 program review.

Who We Are
Emera Energy is a wholly-owned subsidiary of Emera Inc., headquartered in Nova Scotia, Canada with an office in Boston, Massachusetts. We own, operate and optimize over 1,400 MW of power generation, as well as provide customized third party marketing, trading and asset management services to customers operating in North America. As the owner and operator of three natural gas-fired power plants in RGGI states, Emera Energy has an obligation to secure allowances to cover its actual emissions of CO_2.

General Views on RGGI
Emera Energy is generally supportive of RGGI and as such, does not have any significant concerns regarding the existing RGGI program design. We are not seeking to advocate for significant changes to the program design or to the RGGI caps. Further, Emera Energy is supportive of RGGI as the tool for Participating States to comply with the Environmental Protection Agency (EPA) Clean Power Plan (CPP).

Specific Comments on Program Review Topics
During the initial stakeholder meeting on the 2016 RGGI program design review, stakeholders were asked to discuss and provide feedback on several different topics - including state plan approaches to the EPA's CPP, CO_2 emission reductions, RGGI flexibility mechanisms, control periods, RGGI regulated sources, promoting renewable energy and

energy efficiency through the EPA CPP, and broadening the RGGI market/increasing RGGI trading partners. This section provides our specific comments on each of these topics.

State Plan Approaches to the EPA's Clean Power Plan
As stated above, Emera Energy is supportive of using the RGGI platform for RGGI states to comply with the EPA's CPP. Most RGGI stakeholders have expressed support for this approach and in fact this is what many industry observers assumed would be used as the required trading scheme when the final CPP was released earlier this year.

CO_2 Emission Reductions
Regarding emission reductions, the RGGI states have adjusted the RGGI cap for the 2014-2020 time period to account for banked CO_2 allowances that were already in circulation from 2009-2013, yielding a RGGI adjusted cap in 2020 of approximately 56 million tons. In addition the RGGI states are contemplating potential changes to the RGGI cap in the post-2020 time frame. Emera Energy does not offer an opinion on what the base cap should be but strongly suggests that the banked allowances still be available for use in the post-CPP market. Further, if a decision were to be made to reduce the cap in the post-2020 period Emera Energy suggests that similar to what resulted out of the last program review, any cap reductions should be spread over a longer period of time consistent with the 2012 program review.

Flexibility Mechanisms
The RGGI program design includes a host of flexibility mechanisms including a Cost Containment Reserve (CCR), offsets, three-year control periods, and the banking of CO_2 allowances. Stakeholders were asked to offer their perspectives on how well these mechanisms work and if they should continue or be modified going forward.

- ***Cost Containment Reserve (CCR) –*** The CCR is a fixed additional supply of CO_2 allowances only available for sale if the relevant auction clearing price exceeds certain price levels, with the 2016 bank of CCR's at 10 million allowances and $8/ton. Similar to the opinions expressed by other stakeholders at the November 17 meeting, Emera Energy views the CCR as an important cost relief mechanism for compliance entities such as our company. As such, we recommend continuing the use of the CCR as a means to provide some price relief to RGGI allowances.

- ***Offsets –*** Currently RGGI allows for up to 3.3 percent of compliance obligations to be met with offset allowances from projects that are outside of the RGGI cap. Similar to the CCR, the offsets are viewed by stakeholder as providing an important cost relief measure for participants. To our knowledge no project proponent to date has used an offset project for compliance. Having acknowledged this we do not have a strong opinion on the continued potential use of offsets and would not oppose this flexibility mechanism remaining as part of the RGGI program design.

- ***Control Periods –*** Currently the RGGI states use three-year control periods for compliance with each CO_2 budget source needing to hold allowances equal to 50 percent of their emissions during each of the first two years of the control period (the interim control period). By the end of the three-year control period the CO_2 budget source must hold allowances equal to 100 percent of their remaining emissions for the three-year control period by the end of the third year. The issue at hand is that the RGGI three-year blocks do not necessarily line up with the CPP control periods. Currently the RGGI three-year block would in end in 2020 with the next block consisting of the years 2021-2023 while the CPP block would be 2022-2024. In order to align RGGI, options would include either adding a year to make the compliance period ending in 2020 extend to 2021 or split up the RGGI years for a 2018-2019 period and a 2020-2021 period. Stakeholders did not express a strong view. Emera Energy does not have a significant concern as long as the control period is at least two years, with a slight preference for a four year period.

  Stakeholder input was also sought as to whether the interim control period compliance should be continued. Emera Energy posits that continuing the interim control period compliance is not an issue as long as the interim compliance is only 50 percent of emissions. If the amount goes higher than this it begins to limit the flexibility inherent in a multi-year cap.

EPA Clean Power Plan: Promoting Renewable Energy and Energy Efficiency
The CPP provides the ability of states to pursue several strategies for compliance, including greater deployment of renewable energy and energy efficiency improvements. In addition the CPP includes a Clean Energy Implementation Program (CEIP) program that a state may participate in with the state agreeing to a 50/50 sharing of the incentive funding to provide energy efficiency and renewable projects in lower-income areas of the respective states. Emera Energy does not oppose the CEIP component and auction proceeds being directed to renewable energy and energy efficiency projects as long as the proceeds are indeed used for the designated uses and not diverted to other uses such as a state’s general fund.

Broadening the RGGI Market/Increasing RGGI Trading Partners
The CPP includes a variety of options for states to work together on achieving compliance, with the RGGI states seeking stakeholder comments and suggestions on issues such as increasing the size of the current RGGI market and the number of RGGI participating states. Stakeholders expressed mixed opinions on this option at the November 17 stakeholder meeting with some concern being voiced about the market

being flooded with allowances and others viewing this as a means to provide access to more cost-effective allowances. One option that Emera Energy would advance is to keep the status quo with the current States participating in RGGI through the first CCP compliance period in order to ascertain how the CPP program is working and then determine if expanding the RGGI market and/or number of trading partners should be further explored. In general if a new State(s) is brought into RGGI we are of the view that such inclusion should be done with the least amount of price impact as possible.

Other Recommendations – Secondary Market

While Emera Energy generally supports the RGGI program design and does not believe there should be broad changes to the program, we do have some specific recommendations which we believe will enhance the competitiveness of the secondary market where many compliance entities such as Emera Energy obtain their allowances:

- ***Place limit of 50 percent on amount of allowances that can be awarded in quarterly auctions to non-compliance oriented entities –*** Currently market rules limit the amount of allowances that can be purchased by a single entity or group of affiliates in a single offering to 25 percent of available allowances. Emera Energy suggests going one step further and placing a 50 percent overall limit per auction on the amount of allowances that can be sold to non-compliance oriented entities. This would provide an additional safeguard on the ability of non-compliance oriented entities to potentially hoard allowances and in doing so, adversely affect price.

- ***Greater transparency and data availability –*** Emera Energy would also recommend providing more data and greater transparency regarding who holds RGGI allowances. Currently the Commodities Future Trading Commission (CFTC) oversees the secondary market and has access to confidential transaction data which allows it to monitor for evidence of manipulative conduct. Moreover, RGGI Inc. contracts with an independent market monitor to prepare a quarterly report on the secondary market and whether it determines if any anti-competitive behavior has occurred. Both of these functions are important safeguards for a competitive market but Emera Energy would like to suggest a few enhancements to this oversight. First, we would like to suggest that the market monitor provide more details in the quarterly report of the secondary market on the analysis performed and describe in more detail how it reaches its conclusions on the competitiveness of the market. Second, from a data perspective, having more information available on the amount of allowances held by non-compliance entities - specifically how many allowances are held in inventory by each non-compliance oriented entity - would provide additional transparency to the market. This would also allow compliance entities the ability to reach out to those non-compliance oriented entities that have the largest banks and buy allowances for compliance purposes in the scenario where doing so in the auctions is challenging.

Emera Energy appreciates the opportunity to offer its perspective as a compliance entity on the RGGI 2016 program review and how it should be used for attaining compliance with the CPP. We intend to continue active participation in the RGGI program review process and welcome the opportunity to discuss our comments and our perspective in more detail as the deliberative stakeholder process continues. Please feel free to reach out to Aaron MacIntyre at 902-474-2154 or via email at aaron.macintyre@emeraenergy.com with any questions or comments.

Yours truly,

Archie Collins
Executive Vice President, Commercial
Emera Energy