OFFICE OF THE MAYOR
253 Broadway - 10th Floor
New York, New York 10007
www.nyc.gov/planyc2030

SUSANNE DESROCHES
Deputy Director – Infrastructure Policy
Mayor's Office of Recovery and Resiliency

(212) 788-7554

November 30, 2016

**VIA E-MAIL**

Andrew McKeon
Executive Director
RGGI, Inc.
90 Church Street, 4th Floor
New York, NY 10007

Re: 2016 Regional Greenhouse Gas Initiative Program Review

Dear Mr. McKeon:

In accordance with the request at the November 21, 2016 Regional Greenhouse Gas Initiative ("RGGI") stakeholder meeting regarding the 2016 program review, the City of New York ("City") hereby offers these comments on aspects of the RGGI Program. RGGI is a key component towards meeting the goals of reducing greenhouse gas emissions and improving air quality. Consistent with State and City emission reduction goals, the City continues to strongly encourage the development of prospective RGGI emission goals and policies that will continue and expand upon past accomplishments. As the City previously commented, this proceeding presents an opportunity for the RGGI States and other interested stakeholders to work together to develop RGGI emission targets that are more in line with the achievement of various State and City goals, while continuing to foster reliability and affordability.

## I. RGGI Should Continue to Expand Emission Reduction Goals

Since its launch, RGGI has helped reduce $CO_2$ emission from the power sector in the RGGI states by 35 percent.[1] However, consistent with City and State emission reduction goals, further reductions are required.

[1] RGGI COATS data, www.rggi.org/market/tracking/public-reporting

The City has established ambitious public policies and goals regarding the reduction of criteria air pollutants and greenhouse gas emissions and the use of renewable sources of energy. As set forth in *One New York: The Plan for a Strong and Just City*, Mayor Bill de Blasio has set a city-wide target to reduce greenhouse gas emissions by 80 percent relative to 2005 levels and committed to the United Nations target of under two metric tons of carbon per person by 2050 (the "Under 2 MOU") to avoid catastrophic effects of climate change worldwide.[2] Emissions from energy generating units also contribute to air pollution in the City, which continues to be of great concern, as such pollutants cause serious health issues for City residents. All neighborhoods are affected by these health impacts, but they disproportionately occur in high poverty communities and among vulnerable populations.[3] To improve these conditions, the City has committed to having the best air quality among all large U.S. cities by 2030. The City also is working with State and Federal partners to reduce emissions from upwind sources that contribute to background levels of air pollution in New York City.[4]

Similarly, New York State has established statewide goals to both reduce greenhouse gas emissions by 80 percent by 2050, with an interim target of reducing emissions by 40 percent by 2030, both below 1990 levels.

The RGGI program review represents an opportunity to more closely align RGGI's emission targets with the City's and State's clean energy goals. Importantly, by continuing the declining cap trajectory for emissions, RGGI can play a vital role in helping the City meet its 80x50 goal by assisting the competitiveness of large-scale renewable resources in wholesale markets. This in turn can facilitate the achievement of various City sustainability goals, including reducing greenhouse gas emissions attributable to City-owned buildings by 35 percent by 2025 and powering City government operations from 100 percent renewable sources.[5]

Accordingly, the City urges the RGGI States to build upon the success achieved to date by continuing, at minimum, greenhouse gas reductions of 2.5 percent per year through 2030. As some other commenters have stated, continuing a 2.5 percent reduction in the RGGI cap year would further reduce emissions by 23 percent.[6]

---

[2] *See* Global Climate Leadership Memorandum of Understanding, *available at* http://under2mou.org/wp-content/uploads/2015/04/Under-2-MOU-English.pdf

[3] One New York: The Plan for a Strong and Just City (issued April, 2015), p. 188, *available at* http://www.nyc.gov/html/onenyc/downloads/pdf/publications/OneNYC.pdf

[4] *Id.*

[5] *Id.* at 174, 188; *see also* "De Blasio Administrations Moves to Power 100 Percent of City Government from Renewable Sources of Energy (July 10, 2015) *available at* http://www1.nyc.gov/office-of-the-mayor/news/478-15/de-blasio-administration-moves- power-100-percent-city-government-renewable-sources-of

[6] Any adjustment to the emissions cap also should analyze additional scenarios (*e.g.*, high load growth and high natural gas prices) and the potential impacts of such scenarios on projected emissions. Such additional scenarios are necessary to ensure any adjustments will not result in a scarcity of allowances.

## II. RGGI Should Maintain Flexibility Mechanisms

### A. Cost Containment Reserve ("CCR")

Several parties have recommended the retention of the CCR. For example, Calpine states that the CCR "was, and continues to be, an appropriate feature in RGGI." (Calpine Initial Comments at 3.) Similarly, Emera Energy "views the CCR as an important cost relief mechanism" for both compliance entities and consumers. (Emera Energy Initial Comments at 2.)

As discussed above, the City supports measures that continue to reduce the RGGI emissions cap to foster and facilitate efforts to more efficiently use energy and reduce greenhouse gas emissions. The City believes that RGGI can continue to be a key component towards meeting the goals of reducing greenhouse gas emissions and improving air quality while maintaining reliable and affordable electric service.

Consistent with this position, RGGI should maintain complementary measures to provide relief in the event that unanticipated changes occur in the future that result in producing a scarcity of allowances. A firm price ceiling (e.g., $15 per short ton), similar to the current auction reserve price, would be a transparent solution without being administratively burdensome measure to employ.[7] Such a price ceiling would establish a price above which allowance prices could not rise. In addition, because such a price ceiling would not necessitate the release of additional emission allowances, such a mechanism would maintain the environmental integrity of the auction process.

In the alternative, the current CCR structure could be maintained at a higher trigger price with an annual escalator corresponding to the annual reduction in the allowance cap (*e.g.*, 2.5 percent). The CCR size could be based upon a percentage of each annual cap. Under the current structure, the size of the CCR, 10 million allowances, on a percentage basis would have ranged from approximately 15 to 17.75 percent of the adjusted annual cap. A percentage within the current range would be reasonable.

### B. Emissions Containment Reserve ("ECR")

The RGGI States are considering an ECR where a portion of the annual cap would be held in reserve if prices fall below a certain trigger price. The City does not oppose the concept of an ECR. However, the establishment of an ECR trigger price recommendation is not possible until price models are conducted based on the final RGGI market structure. This notwithstanding, as the RGGI States commented in their November 21, 2016 presentation, the trigger price should be "sufficiently far below expected prices that the RGGI states can conclude" costs were overestimated based on the final price models. Moreover, given the inherent inaccuracy of long-term price projections, as with the CCR, after the initial year of the

[7] The recommended price ceiling value of $15 per short ton is double the highest allowance auction price to date. As with the current CCR trigger price, the price ceiling could increase by a certain percentage in future years.

reset, any ECR trigger price should use an annual escalator (*e.g.*, 2.5%) rather than annual fixed trigger points.

### C. Participation of Non-Compliance Entities

In order to ensure the availability of allowances for compliance entities, in conjunction with the CCR and potential ECR, market rules should be modified to limit the amount of allowances sold to non-compliance entities in any auction to 50 percent of the available allowances. This modification would provide an additional safeguard to ensure allowances are available to compliance entities, in particular those needed for reliability purposes. Moreover, the limitation would hinder the ability of non-compliance entities to stockpile allowances in an effort to adversely impact auction prices or otherwise curtail market supply.

## III. Offsets

The RGGI States are considering potential changes to the current eligible offset project categories. Currently, offset projects in the following five project categories may be eligible for the award of $CO_2$ offset allowances provided they meet all requirements in RGGI State regulations:

- (i) landfill methane capture and destruction;
- (ii) reduction in emissions of sulfur hexafluoride ($SF_6$) in the electric power sector;
- (iii) sequestration of carbon due to U.S. forest projects (reforestation, improved forest management, avoided conversion) or afforestation (for CT and NY only);
- (iv) reduction or avoidance of $CO_2$ emissions from natural gas, oil, or propane end-use combustion due to end-use energy efficiency in the building sector;
- (v) avoided methane emissions from agricultural manure management operations.

Compliance entities may use offsets to meet up to 3.3 percent of their compliance obligations.

The City supports the continued use of offsets to meet compliance obligations. Offsets provide an important source of compliance flexibility while increasing opportunities to support carbon reduction activities. In order to support City and State emission reduction goals, the City strongly recommends the expansion offset eligibility to include verifiable avoided methane emissions from wastewater treatment plants. Such an expansion will further assist in overall emission reductions through the encouragement of biogas-fueled cogeneration at such facilities.

If you have any questions do not hesitate to contact me.

Respectfully submitted,

Susanne DesRoches

S:\DATA\Client11 14501-14800\14740\RGGI\NYC Comments 11-30-16.docx