Vitol Inc.

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DELIVERY BY EMAIL TO: INFO@RGGI.ORG

November 30, 2016

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

Re: Comments of Vitol Inc. on the 2016 RGGI Program Review

Vitol Inc. ("Vitol") would like to thank RGGI for the opportunity to comment on the 2016 program review following the November 21st webinar. Vitol has been an active participant in the RGGI market since its inception in 2008. Throughout the life of the RGGI program we have been encouraged by the RGGI states' proactive, market based approach to achieve emission reductions. We applaud the bank adjustments made in the previous program reviews that addressed the significant oversupply issue and provided confidence that RGGI's approach would successfully achieve the ultimate objective of reducing carbon emissions within the member states. We would like to take this opportunity to voice our concerns during the 2016 program review.

Various studies point to a significant surplus of allowances currently available in the program, which will grow should nothing meaningful be done to address the issue. The market has reflected this sentiment, returning to price levels at which the goal of creating a market-based signal clearly delineating the cost of carbon emissions is being lost. There is growing concern regarding the wide distortion between actual market price levels and the expected RGGI price level under its supply modeling disclosed at previous stakeholder meetings/webinars. However, we are encouraged RGGI is considering mechanisms under the 2016 program review beyond a cap reduction that may restore valid price signals, improve the integrity of the market, and provide confidence to market participants.

Vitol agrees the RGGI price and bank forecasts in the IPM modeling under the various scenarios are appropriate to meet the carbon reduction goals of the program. It is our position that a Phase III Bank Adjustment to address current oversupply conditions is also needed for the 2016 program to meet its goals. Additionally, in order to account for unforeseen events and underestimated emission reduction costs, an ECR Trigger and Auction Reserve Price should be set within reasonable range of these modeled price and bank expectations. These mechanisms should be put into place well before 2021 to ensure a smooth transition and reduce undesirable volatility as RGGI approaches the new phase of the program. These mechanisms combined with a 3.5% annual cap reduction would provide a clear path to achieve the desired policy ends.

Vitol believes RGGI should maintain its position as a leader in the area of effective GHG reductions. Non-market based proposals have been made recently that would undermine RGGI and its objectives to reach its carbon reduction goals through a market-based mechanism. Vitol believes the RGGI framework, if adjusted correctly, will lead to the most efficient carbon reductions at the lowest cost for the life of the program. Vitol's recommendations are intended to contribute to this outcome, and the company appreciates the opportunity to submit comments in this matter.

Respectfully yours,

Vitol Inc.