



RGGI Comment Letter
23 October 2024

Elevate Climate is a mission-based company supporting ambitious and equitable carbon markets for a livable future through research reports, market intelligence, and stakeholder facilitation.¹ Over the last six years, Elevate Climate has designed, facilitated, and researched cap-and-trade programs, carbon taxes, and carbon offsetting and removal programs on six continents for over 50 clients. In other states, such as California, we have facilitated consensus on updates to carbon prices among disparate stakeholders including compliance entities, market participants, and environmental nongovernmental organizations.

Elevate Climate encourages further elaboration on modeling assumptions and/or future modeling runs to show the total compliance costs of policy portfolios under Case A and Case B listed in Slide 14 of the presentation and pasted below. Specifically, while the summary of Case A emphasizes that “increasing allowance prices increases energy prices and imports”, Elevate Climate expects that the total compliance cost in Case A is lower than under Case B insofar as other policies which are more expensive than cap-and-trade reduce disproportionately more emissions under Case B. To that end, it would be useful to enumerate the different expected policies and their respective cost-effectiveness (i.e., compliance costs per ton reduced) under each of the Cases.

We thank RGGI for the opportunity to provide public comment. Elevate Climate looks forward to engaging more thoroughly in future rounds of public comments. Please direct any questions to Clayton Munnings (clayton@elevateclimate.com).

Sincerely,

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Projected Trends are Consistent with 2023 Modeling Results

Case A and Case B

Federal policies such as IRA and EPA Greenhouse Gas Standards and Guidelines for Fossil Fuel-Fired power plants drive emission reductions in 2030s. EPA power plant rules result in emission restrictions on coal and new gas facilities, reducing emissions in the Eastern Interconnect. IRA tax credits expands the deployment of renewables to meet load growth in the late 2030s, reducing thermal generation and emissions.

<p>Case A – Currently Contracted Renewables Only</p> <p>Lack of other state policy drivers beyond RGGI assumed in Case renders the exploratory policy cap binding and reaching the CCR at times. Thermal generation persists due to load growth and lack of policies and mandates driving renewable deployment. Allowance prices increase to ~\$39 by 2037 and reach the CCR trigger in multiple years. Increasing allowance prices increase energy prices and imports. Lower levels of renewable deployment and increasing allowance prices lead to higher imports and energy prices.</p>	<p>Case B – On-the-Books Policies and Mandates</p> <p>Allowance prices remain at the reserve price in all years, as state-level policies and mandates in addition to RGGI achieve emission reductions through 2030s. By 2032, emissions are projected to fall to ~50% of 2023 emissions even in a cap scenario. Increased reserve price in the exploratory policy scenario results in additional emission reductions: (~120 Mtons), with incremental reductions between 13% in 2028 and 37% by 2037.</p>
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¹ www.elevateclimate.com