

December 6, 2012

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

Re: Comments on the proposed program design concepts for the new Regional Greenhouse Gas Initiative's (RGGI) Model Rule

To RGGI Inc:

We are writing on behalf of Environmental Entrepreneurs (E2) to urge support to lower the Regional Greenhouse Gas Initiative (RGGI) cap to ensure that we get real reductions in greenhouse gas emissions while providing important economic benefits to our citizens. The urgency of bold action is clear, as we see the impact of climate change and extreme weather events dramatically accelerating while the cost of inaction grows higher every day.

About E2

E2 is a non-partisan, national community of business leaders who promote strong environmental policy to grow the economy. We are entrepreneurs, investors, and professionals from every sector of the economy who collectively have been involved in financing, creating or working in the early development of more than 1,400 companies, which have created over 500,000 jobs. Our members manage over \$90 billion in private equity capital that will flow over the next several years into new companies.

The RGGI cap must be adjusted to produce real reductions in emissions

RGGI is a groundbreaking first-in-the-nation multi-state partnership to reduce greenhouse gas pollution. RGGI has proven that a well-designed market based emissions trading system can spur economic growth while decreasing energy consumption and reducing harmful emissions. We are now at a turning point where in order to continue to reap those benefits, the RGGI states once again need to step forward and lead as RGGI considers proposals for the next three-year period.

We strongly urge you to adjust the cap to ensure that it reduces emissions 20% below current levels by 2020 and is on track to reduce emissions by at least 80% by 2050.

Unfortunately, the current proposals for the new cap are woefully inadequate and would not lead to any significant reductions in emissions from current levels. Though the proposals would reduce emissions from a hypothetical business as usual scenario, in absolute terms, their best case would leave us with nearly the same level of emissions

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that we have today. The climate clock is ticking and we can't afford three more years of inaction.

Despite the fact that states are doing a good job of accounting for banked allowances by adjusting the new cap, it is clear that a lower cap is needed if RGGI is going to make a meaningful contribution to addressing climate change and continue to spur economic growth. The annual limit should decline on a trajectory to reduce absolute emissions to 20% below current levels by 2020 and 80% below 1990 levels by 2050 in order to avert adverse environmental and economic impacts predicted by climate science.

Even the lowest proposed caps would lead to only minimal reductions in emissions from current levels. This is shown by the states' analysis of the impacts of lowest of the proposed new caps (91 and 97 million tons). Modeling of these caps ([see slides 12 & 13](#)) shows that power plants could use banked allowances for the majority of their compliance obligations, keeping emissions minimally below current levels (91 cap) or staying exactly at current levels (97 cap) through 2020. Unless the ultimate cap significantly reduces the absolute level of 2020 emissions, the program will ultimately be too weak and will fail in its primary objectives.

The electric sector is capable of reducing emissions at lowest cost and should be making an outsized contribution to economy-wide reduction goals. Currently low electricity prices afford us the opportunity to make real progress on both emission reductions and investments in clean energy. Moreover, Massachusetts is counting on RGGI to provide real reductions in emissions in order to meet the legally binding goals of the Global Warming Solutions Act.

RGGI as an engine of Economic Growth

As you know, recent independent analysis^[1] showed that overall the program has already created \$1.6 billion in economic value and set the stage for \$1.1 billion in ratepayer savings through investments in efficiency and renewable energy. In addition, the program showed a positive employment impact of approximately 16,000 new job-years and reduced payments to out-of-region providers of fossil fuels by just over \$765 million. The report indicated that RGGI resulted in a net positive economic value of \$498 million for Massachusetts.

Moreover, there has been a marked decrease in greenhouse gas pollution in the RGGI states while still maintaining better than average economic growth. According to a [recent study](#)^[2] the RGGI program and other measures to combat climate change and stimulate demand for renewable energy helped the RGGI states cut per-capita emissions of carbon dioxide 20 percent faster than the rest of the nation between 2000 and 2009, while growing per-capita GDP at double the rate of the rest of the country.

We appreciate your consideration of the E2 business perspective on these issues.

[1] The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States, Analysis Group, November 15, 2011; http://www.analysisgroup.com/uploadedfiles/publishing/articles/economic_impact_rggi_report.pdf

[2] A Record of Leadership: How Northeastern States are Cutting Global Warming Pollution and Building a Clean Economy; Environment New Jersey; April 2012;

<http://www.environmentnewjersey.org/sites/environment/files/reports/A%20Record%20of%20Leadership%20vNJ.p>

The following 60 E2 members and supporters have signed this letter:

Jane Arsham

Jay Baldwin

Partner, Wind River Capital Partners, LLC

Constance Barbour

Silkscreen Printer, Migrantwinds

Steven Becker

Aron Bernstein

Professor of physics, MIT

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