Appalachian Mountain Club

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

Dear RGGI Inc, January 17, 2013

The Appalachian Mountain Club (AMC) appreciates the opportunity to participate in the public review of the Regional Greenhouse Gas Initiative (RGGI) program. We believe that the current review is an important opportunity, building on the program's successful foundation, to achieve further reductions in greenhouse gas (GHG) emissions and investments in energy efficiency. The evidence that RGGI's existing framework works is clear, but with the ultimate and important goal of an 80% reduction of GHG below 1990 levels by 2050, the program *must* do better. Specifically, we urge you to support changes to RGGI that will ensure a decrease in GHG pollution of at least 20% below current levels by 2020.

We strongly urge the RGGI states to consider a new cap of 85 million tons and no more than 91. In the January 8th, 2013 Program Review Webinar, modeling results of new caps were presented that are well below the existing first target cap of 165 million tons. However, the ultimate goal of achieving significant GHG emission reductions must remain the primary factor driving cap adjustments moving forward. A target of 20% below current emissions would align with most of the RGGI states' Climate Action Plan goals of an 80% reduction by 2050 in the power generating sector. Further, an aggressive cap is likely to benefit RGGI states in meeting future New Source Performance Standards for existing GHG sources. Current estimates of 2012 emissions for all RGGI states are on the order of 91 million tons. If RGGI states are serious about making progress, a regional cap must be aggressive and factor in effects from all program features.

Two key program features that effectively weaken the cap level are the remaining banked allowances, and the cost containment reserve (CCR) trigger. The AMC believes all banked allowances should be retired; if this is not done, their impact on the actual level of emission reductions by 2020 must be factored in when setting the cap. The recent RGGI, Inc. modeling analysis indicates that the market could be flooded with 10-17 million extra allowances (and up to 50.5 in a high emissions sensitivity run) under a bank adjusted cap of 91 million tons and assuming sequential CCR price triggers of 4, 6, 8, and $10/tons. The intersection of the banked allowances and the CCR is reflected in the range of 10 to 17 million extra allowances where the former reflects early use of banked allowances over the compliance period, while the latter is if the bank is used evenly throughout the compliance years. In all cases, the dilution of the cap is significant and highlights the importance of selecting an appropriate CCR trigger price. States should consider what is in place in California ($10 floor increasing annually by 5% plus inflation) and the benefits of harmonization with that program. At the very least, the starting CCR trigger price should be as high as feasible, especially if the cap is set at 91 rather than 85 million tons, and CCR allowances should always come from below the cap.

Finally, we are concerned that the latest RGGI Inc. bill impact analysis does not account for the significant benefits associated with investments in fossil fuel thermal efficiency projects. Further, this analysis was highly conservative as it does not account for the life-time benefits of energy efficiency improvements, nor the economic benefits from lessening GHG emissions and curbing of impacts from climate change.

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We applaud RGGI states for their leadership on reducing GHG emissions from power plants. Preserving the integrity of the RGGI program moving forward depends on true accounting of all program features, and recognition that aggressive action is needed to achieve 2050 reduction goals. Thank you for your consideration of our concerns.

Susan Arnold

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Vice President for Conservation

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