Massachusetts Climate
Action Network

P.O. Box 51563
Boston, MA 02205
(617) 515-0600
www.massclimateaction.net

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

Re: RGGI Program Review, Modeling Results, and Changes to the Cap

Dear Ms. Singh:

This letter provides comments of Massachusetts Climate Action Network (MCAN) in response to the latest set of modeling results, as discussed in the webinar on January 8, 2013.

Summary

Only in the strictest cap scenario modeled by ICF, "91 Cap_Bank," where the regional cap is set at 91 million tons in 2014 and then adjusted further down to 73 million tons in order to account for the use of banked emissions, will RGGI substantially reduce regional GHG emissions. This is, therefore, the only acceptable scenario among those modeled by ICF, with the cap falling over time to 65 million tons in 2020.

However, even in this scenario, the emissions cuts are partially counteracted by importing of high-carbon power from states outside the RGGI region ("leakage"), so that the net emissions reduction in 2020 for the entire "Eastern Interconnect" is forecasted to be 6 million rather than 14 million tons. To prevent this result, the RGGI states must find and implement a legal method of preventing leakage, so that the RGGI caps are entirely **real**, not in part a mirage.

Detailed Discussion

In our view, it is essential that the RGGI Program Review result in new, lower cap levels from 2014 through 2020 so that RGGI:

- Yields a substantial reduction in regional emissions compared to the Reference case (where the emissions cap remains at the original levels set in 2007).
- Yields a substantial reduction even assuming that the emissions purchased but not utilized to date, i.e. "banked," are used by generators during 2014 through 2020.
- Yields a substantial reduction in emissions for the entire Eastern Interconnect electric grid, even though it is expected that some of the emissions reductions in the RGGI region will simply shift to electricity imported from other states in the Eastern Interconnect.

It is vital to achieve these results so that:

- RGGI has a real impact on reducing GHG emissions;
- RGGI provides a meaningful model for the rest of the country; and
- RGGI provides an expanding source of revenues that can be used to fund energy efficiency, renewable energy, other GHG-reduction measures, and direct assistance to ratepayers.

We are pleased that the states have chosen to model future cap levels that would result in a cap that is binding – lower than what emissions would be in the absence of a cap – and should therefore cause emissions in the RGGI states to be reduced. Moreover, we are gratified that the modeling runs chosen by the states and RGGI, Inc. include an expectation that banked emissions will be utilized by their owners over time; and therefore show that for the cap levels to be effective, they must be further lowered to take account of banked allowances.

The results of the IPM modeling runs make clear that annual caps of 120 million, 115 million, 106 million, or 97 million tons for the participating states will **not** yield significant emissions reductions compared to the Reference case. Even in the strictest scenario, with the cap set "initially" at 91 million tons in 2014 and falling to 78 million tons in 2020, the emissions reductions due to RGGI are miniscule. Only with the cap set at 91, but then further adjusted down to 73 million tons in 2014 and to 65 million tons in 2020, in order to counteract the effects of banking, does RGGI yield a significant drop in regional emissions – by 8 million tons in 2014 and 14 million tons in 2020.

Millions of tons of allowances issued by year – with bottom row showing the number of tons that should be issued in order to account for the use of banked allowances

	2014	2015	2016	2017	2018	2019	2020
91 Cap_Bank	91	89	87	82	82	82	78
Interim Adjustment for Banked Allowances	73	72	70	66	66	66	65

As ICF notes, the adjustments for banking assume that owners of banked allowances use them up in equal amounts per year through 2020. If owners choose to use more banked allowances in the early years, then RGGI will have less impact on emissions in those early years and more impact at the end of the time period.

Leakage

More importantly, these reductions are in part a mirage due to the effects of leakage – of RGGI states increasing their imports of high-carbon power from states that are not part of the RGGI region. The IPM spreadsheets provided by RGGI, Inc. forecast that **in the "Eastern Interconnect" region, without RGGI, emissions will rise due to RGGI by 6 million tons in**

2014 and 8 million tons in 2020.[1] This means that more than half of the 14 million ton emissions reduction in the RGGI states is counteracted by leakage – higher emissions in other states. Since greenhouse gas emissions are a worldwide problem, the net reduction worldwide is 6 million tons.

At a minimum the RGGI states should openly acknowledge the leakage problem, and only claim the **net** emissions reductions that are projected to take place in the entire Eastern Interconnect, including the RGGI states.

Beyond that, the RGGI states should squarely address the leakage problem and find a legal method by which power imported from power plants outside the RGGI region can be held to the same emissions cap as plants within the region. In the past the states have chosen not to pursue such an avenue, but the time is ripe to do so.

Difference in emissions comparing "91 Cap Bank" scenario to Reference scenario

CO2 Emissions [Million Tons]	2012	2013	2014	2015	2016	2018	2020
Total RGGI states	0	(0)	(8)	(11)	(9)	(14)	(14)
Eastern Interconnect without RGGI states – increases are "leakage"	(0)	0	6	6	6	9	8
Total Eastern Interconnect including RGGI states	0	0	(2)	(5)	(2)	(5)	(6)

Note – numbers in parentheses mean that emissions are lower in the "91 Cap Bank" scenario compared to the Reference scenario.

Yours truly,

Rob Garrity
Executive Director

[1] Calculated by comparing "Eastern Interconnect without RGGI" emissions in the "91 Cap Bank" scenario versus the Reference scenario.