Caiteur Group Climate Change Institute
www.climatechangeinstitute.com

The Regional Greenhouse Gas Initiative is a bold program to reduce greenhouse gas emissions and Caiteur Group applauds the efforts of the participating Northeast and Mid-Atlantic States.

Caiteur Group, through its policy research think tank arm Caiteur Group Climate Change Institute, specializes in climate change policy and business implementation frameworks, climate change data management, modeling, and information technology strategy, and climate change risk management. Our policy work includes submissions to U.S., Canada and U.K. climate change policy reviews and other policy input requests.

Caiteur Group Climate Change Institute is pleased to respond to your request for public input and provide our comments on the RGGI draft Model Rule. We look forward to working with you to refine the Model Rule.

OFFSETS

We agree that there should be a limit on the use of offset allowances for compliance. Further we strongly support encouraging the development of offset projects within the signatory U.S. states. While CO_2 is a global problem, there is an issue of public perception where there is a sense that regional climate change policies should first be directed to clean up the air “here at home”.

However we believe a limit of 3.3% of a source’s allowance deductions (barring the occurrence of a stage one or two trigger event), per section XX-6.5 (a) 3, is too low. Further the overall restriction on using offset allowances to account for any excess emissions, per XX-6.5 (d) (1), is not well suited for the Initiative. We recognize such limits encourage the development and use of clean technologies to generate emissions reductions rather than compensating for actual emissions with offsets. However the low limits and restrictions within RGGI are likely to discourage local private sector entities from developing terrestrial carbon sequestration or agricultural projects as these limits and restrictions reduce the size of the market to consume offset allowances by operators. In the future, in times when any stage one or stage two triggering event has occurred, sources will be forced to look beyond the signatory states to locate offset credits as there will be a limited market locally.

We recommend that RGGI increase the initial limits on offset use to ten percent (10%) of a source's emissions, with an accompanying increase to fifteen percent (15%) of the initial offsets trigger. Further we recommend lifting the ban on using offset credits to account for excess emissions. We suggest that the use of offset allowances be capped at twenty percent (20%) of the excess emissions with no discount for allowances created in the signatory states. We believe that modifying these limitations and restrictions will encourage the development of local offset projects, create a more liquid CO_2 allowance market, and reduce the economic impact and compliance costs to operators.

HARSH PENALTIES

We agree that penalties should be instituted as they will discourage operators from generating excess emissions. However the three-to-one penalties imposed by the RGGI regime are additive to any other fines or penalties and are very harsh. This severity of penalties combined with the inability to use offset credits to account for excesses will hamper expansion of the Initiative and will reduce willingness of generators from other states to participate in the program. Further the level of penalties does not appear to have taken into account that the international carbon market has already shown itself to be extremely volatile. We can envision a scenario where, for example, there is a CO_2 allowance price squeeze after a particularly warm summer or cold winter that forces the allowance prices dramatically upward to compensate for excess emissions due to increased energy demand.

We recommend the severity of the penalties be reduced to one and one-half times a source's excess emissions. Further we reiterate that the Initiative permit CO_2 offset allowances to be used with no discount to compensate for excess emissions. We believe that these modifications will help to reduce objections by operators in other states who may look to join the RGGI regime.

Caiteur Group Climate Change Institute strongly supports the efforts of the signatory states to reduce greenhouse gasses via the Regional Greenhouse Gas Initiative. We appreciate this opportunity to comment on the Draft Model Rule.

Sincerely,

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