TO: RGGI Staff Working Group
FROM: Elizabeth Salerno, American Wind Energy Association
DATE: May 22, 2006
SUBJECT: Comments on RGGI Draft Model Rule

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The American Wind Energy Association (AWEA) is grateful for the opportunity to provide comments on the Regional Greenhouse Gas Initiative (RGGI) Draft Model Rule. We strongly believe that zero-emissions wind energy is a vital element among the full range of emission reduction solutions for RGGI and should be encouraged to successfully lead to cost-effective $CO_2$ emission reductions. Our comments provide a perspective on incorporating the value of wind energy into the RGGI model rule.

The American Wind Energy Association is the national trade association of the U.S. wind energy industry. The association's membership of more than 800 includes turbine manufacturers, wind project developers, electric utilities, energy suppliers, and energy consultants.

The model rule should establish a structure that allows states to fully utilize their indigenous renewable resources to achieve emission reductions. There are two specific areas in which the model rule can further incorporate and encourage zero-emissions renewable resources, such as wind energy. These areas are:

- Consumer Benefit Set-aside
- Offset Allowances

Our comments focus on the use of both the set-aside and offset provisions to provide incentives for renewable energy development. While there is still a question of project eligibility in the electric sector for offset use, the "pick a market" rationale provided in the Memorandum on the Draft Model Rule for renewable energy projects has broad implications that should be clarified. ***The model rule should be explicit that the rationale behind offset eligibility does not apply to individual state use of set-aside value to provide new or additional incentive for renewable energy projects.***

Consumer Benefit Set-Aside

Regardless of the outcome for offset eligibility, suggesting that renewable energy projects must "pick a market" may imply to states that the consumer benefit set-aside should incorporate a similar rationale. Since use of the set-aside has been left to the states, it can and should be used to compliment existing incentive programs such as Renewable Portfolio Standards (RPS) or System Benefit Charges (SBC). If the RGGI modeling for emission reductions assumes reductions from renewable energy development, then the program must ensure that the value from those reductions is passed through to the renewable energy projects to provide clear incentive. It should not be assumed that existing incentive programs will automatically lead to the optimal level of renewable energy development and that the assumed emission reductions will be generated. While offset value may not be necessarily appropriate to provide this incentive, an allocation from the Consumer Benefit Set-aside can be used.

## Offset Allowances

The Memorandum on the Draft Model Rule solicits specific feedback regarding the eligibility of renewable resources in conjunction with other state incentive programs. Currently, the model rule excludes renewable energy sources under the rationale that they receive incentives from programs such as SBC or RPS programs, and would be developed in the absence of RGGI. However, this rationale is based on a number of assumptions that can be interpreted to have general application, external to offset eligibility, which may not hold in all states or in the future.

### State Energy Requirements and Offsets

Exclusion of renewable energy projects on the basis of RPS participation assumes that renewable resources will be fully developed for RPS compliance in the absence of other incentives. However, this assumption may be overly optimistic given the existence of other barriers to development. For example, participating RGGI states with wind resources have not seen the level of development as expected by their RPS program due to barriers such as siting and project approval. The ability to participate in additional incentive programs could allow projects to move forward since the existence of alternative markets would create additional market certainty for project development. Conversely, there may be markets in which the RPS is oversubscribed and additional renewable projects need other forms of incentive support to thrive.

The Memorandum also includes the assumption that all renewable energy attributes have been already accounted for in state energy plans. While this may be true in some states under current regulations, its does not necessarily hold for all states or account for future changes. Most existing energy plans have not incorporated the impact of a regulated $CO_2$ market, and therefore have not fully accounted for the value of $CO_2$ emission reductions. Since it is within the latitude of each participating state to determine which elements are included in their energy plans, the model rule should not automatically preclude renewable energy projects from additional incentives based on such assumptions.

## Conclusion

In general, AWEA believes that any incentive program must ensure that double counting of attributes does not exist in order to maintain market integrity. Specific claims regarding emission reduction should only be accounted for once, however there is no reason that multiple programs cannot be defined to recognize one reduction. Assuming that all generation attributes and associated value have been fully accounted for within existing incentive programs may not be appropriate. Since these programs vary greatly within each state, renewable energy projects should be provided the opportunity to participate in all markets. Creating a more robust renewable sector through additional market options allows renewable projects to become viable in the face of uncertainty or barriers within individual incentive programs. It should be the choice of the renewable energy project, and not the regulating authority, to choose which program or market they participate in as long as market integrity is upheld and emission reduction claims are verifiable.

Finally, the model rule has implications beyond the RGGI program, as it is intended to may serve as an electric sector model for potential federal carbon regulation. Given the regional, sectoral, and price boundaries of RGGI, it is possible that renewable energy projects will continue to be driven mostly by RPS regulations. However, setting a precedent that includes the rigid "pick a market" outlook would not accommodate the beneficial use and value of renewable energy sources for future carbon markets. The development of renewable resources should be encouraged within all programs for which they provide value.

Again, AWEA would like to applaud the determined efforts of the Staff Working Group and stakeholders to develop this initiative, taking a significant step toward $CO_2$ emission reductions. We are happy to continue the discussion of including renewable energy sources into the RGGI program. Questions and concerns should be directed to Liz Salerno, esalerno@awea.org or 202-383-2517.