



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

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Dear Director Singh,

Advanced Energy Economy Institute (AEEI) appreciates the opportunity to provide feedback on the 2016 Program Review of the Regional Greenhouse Gas Initiative (RGGI) following the June 17<sup>th</sup> stakeholder webinar.

The mission of AEEI, the charitable and educational organization affiliated with Advanced Energy Economy (AEE), is to raise awareness of the public benefits and opportunities of advanced energy.

We are encouraged that the RGGI states have decided to consider an accelerated modeling scenario to inform the 2016 program review process. In our last comments, AEEI asked that the RGGI states model an additional scenario that would apply a 5% annual cap reduction through 2030, and eliminate the cost containment reserve (CCR). We are glad to see that the RGGI states have included a 5% annual cap reduction scenario that also eliminates the CCR.

However, because the policy scenarios all allow covered sources to withdraw banked allowances during the 2020-2030 period from earlier years, the 5% annual cap reduction as modeled falls far short of the emission reductions that would be expected under a 5% annual cap reduction scenario. As we noted in our previous comments, a 5% annual cap reduction is consistent with the rate of reductions during the first 7 years of the program. Given RGGI's success in driving economic development, job growth, and ratepayer savings to date, the program review should avoid backsliding.

We therefore encourage the RGGI states to account for the effects of this banking by modeling a 5% annual cap reduction scenario that will limit 2030 carbon sector pollution to 39 million tons. This scenario would provide valuable information to the eight RGGI states that have targets in place requiring economy-wide emission reductions. Given the cost-effectiveness of advanced energy technologies and services available to reduce emissions from the power sector, including energy efficiency, demand response, wind, solar, nuclear, energy storage, natural gas-fired generation, and hydropower, it is likely that the majority of the required emission reductions under a least-cost pathway would come from the power sector. However, states will not be able to take full advantage of these options without a more robust sense of possible future RGGI scenarios.

As states strive to meet economy-wide greenhouse gas reduction requirements, and as advanced energy technologies such as renewable energy and energy efficiency continue to improve in both cost and performance, it is reasonable to expect increasingly ambitious state renewable energy and energy efficiency policies. Accordingly, we also encourage the RGGI states to model additional scenarios that include greater levels of both renewable energy and energy efficiency. Given that all participating states have adopted renewable portfolio standards (RPS), but that only three have extended their targets out to 2030, it is likely that firm renewable energy capacity additions will be much higher than currently anticipated in the modeling. We therefore encourage the RGGI states to explore scenarios in which states continue to raise their RPS requirements. Similarly, accounting for the success of the RGGI program in driving investment in energy

efficiency, we encourage the RGGI states to consider additional scenarios that include higher levels of energy efficiency. Model scenarios with higher renewable energy and energy efficiency will provide states with a more complete—and likely more realistic—information about possible future outcomes.

RGGI has helped grow a robust advanced energy industry in the nine participating northeastern states, delivering ratepayer savings while driving economic development. In order for the RGGI program to continue providing these benefits, it is essential that states use the 2016 program review to set a strong market signal that will drive market participation and deliver strong auction results. Considering these more aggressive but still achievable scenarios will uncover further opportunities to grow the region's advantage of advanced energy industry without binding states to adopt any particular pathway.

Doubling down on RGGI goals will accelerate this progress and build upon the \$2.7 billion in net economic benefits achieved through the program to date. AEEI looks forward to engaging with the RGGI states as they move into the next phase of the 2016 program review process.

Sincerely,



Maria Duaine Robinson

*Senior Manager, Energy Policy and Analysis*

*Advanced Energy Economy*

Email: [mrobinson@ae.net](mailto:mrobinson@ae.net) Mobile: [617.600.8325](tel:617.600.8325)

