Vitol Inc.

2925 Richmond Avenue, Suite 1100
Houston, TX 77098, United States
Tel. 713-230-1000, Fax 713-230-1111

DELIVERY BY EMAIL TO: INFO@RGGI.ORG

April 27, 2017

Regional Greenhouse Gas Initiative, Inc.
90 Church Street, 4th Floor
New York, NY 20007

RE: Comments of Vitol Inc. on the 2016 RGGI Program Review

Vitol Inc. ("Vitol") would like to once again thank RGGI, Inc. ("RGGI") for the opportunity to comment on the 2016 program review. Vitol has been an active participant in the RGGI market since its inception in 2008, and as previously stated, we view the program review process as an opportunity to make needed improvements to the RGGI market design in order to build upon the success that the RGGI program and the member states have experienced. But let us be clear, the success referred to time and again is largely built on a fundamental change to the RGGI states fuel sourcing for power generation. The shift away from fuel oil and coal to natural gas and renewables has accounted for the entire drop in GHG emissions. These changes came about due to price signals in fuels, not power generation dispatch changes driven by RGGI carbon price signals. In order to maintain this progress, and indeed to build on it, the region will require either a continued revolution in fuels pricing, or a price signal from environmental markets seeking the most efficient way to achieve social goals. Lack of action at this time risks a reversion to past GHG emission volumes should natural gas move to higher prices levels.

We would ask RGGI to consider our previous submittal highlighting the concerns left unaddressed by the recent stakeholder's webinar. Individual state actions, competing carbon prices (RGGI allowance vs EPA social cost of carbon), consideration by members of per unit caps, all these lead to the confusion in the market and to what is widely viewed as the failure of RGGI, not its success.

We submit that without a fundamental overhaul, the program will no longer be relevant. It will not provide a signal to the market to achieve the goals claimed by its members. This overhaul must include addressing the allowance overhang via a bank reduction that deals with the true size of the bank. A realistic assessment of the period 2017-2020 suggests a further build up in the allowance overhang, leaving the total closer to 50MM. There must also be an ongoing commitment to flexibility as the energy profile of members change. In our opinion the proposed ECR mechanism is a positive development in this area, as it could serve to make RGGI pricing relevant as conditions change.

In closing, Vitol firmly believes RGGI should maintain its position as a leader and innovator in greenhouse gas emission reductions. As RGGI states have had better results in reducing emissions than non-RGGI states, it is clear to us that the RGGI program remains the best vehicle to promote continued success if it will adopt changes that address design and market conditions shortcomings. Vitol respectfully requests RGGI to consider the recommendations described in this letter, as these are intended to contribute to the future success of the RGGI program. Vitol greatly appreciates the opportunity to submit our comments to you.

Respectfully yours,

Vitol Inc.