



Protecting nature. Preserving life.

Andrew McKeon, Executive Director
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July 11, 2017

Dear Mr. McKeon and Members of the RGGI Board:

On behalf of The Nature Conservancy chapters in Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont, I respectfully submit the following comments in response to the June 27th stakeholder meeting and accompanying materials. We appreciate the RGGI states' efforts to conduct an open and transparent stakeholder review process over the last two years and appreciate the opportunity to submit these brief comments.

Climate change is one of the world's most urgent challenges and presents an immediate risk to our communities, economies, and to our natural treasures. The Nature Conservancy promotes practical, innovative solutions to create a prosperous, low-carbon future that is cleaner, healthier, and more secure for everyone. This includes strengthening the RGGI program to achieve additional emission reductions. With an absence of federal leadership, it is more important than ever that the states lead on climate. We cannot afford to slow the pace of innovation. Acting on climate change now doesn't just avoid loss, it secures critical economic gains. Increasing uptake of energy efficiency and investing in renewable energy sources, which the RGGI program helps states to do, offer the opportunity for more jobs, more consumer choice, lower costs, cleaner air and water, better soil quality, and better health irrespective of their impact on climate.

The RGGI states have been national leaders on climate change and should continue to lead by adopting an ambitious carbon cap for the power sector through 2030. The updated policy scenario modeling presented at the June 27th meeting shows that more stringent cap trajectories can be achieved with a far smaller impact on firm power prices and RGGI allowance prices than previously modeled.

We support the adoption of an annual emission reduction that is *at least* as ambitious as the 3.5% per year reduction modeled in Scenario #2. The recent ICF modeling makes clear that reductions of this magnitude are achievable, particularly now that the projected cost of reducing emissions has fallen *dramatically* from what the states were predicting even a few months ago. This is due to several favorable trends, including stronger renewable energy and energy efficiency policies adopted by several RGGI states over the last year, continued declines in the cost of renewable energy technologies like wind and solar, and continued low natural gas prices reflected in the newer modeling. Lower-cost emission reductions mean the states should be able to achieve even more reductions economically in the coming years. Indeed, we encourage the states to consider an even more ambitious cap reduction of 5% per year, which could lead to even greater benefits and help the states cost effectively achieve their 2030 climate goals.

We also support the adoption of a correction to the RGGI cap in 2019, as reflected in scenario #3, which is intended to better reflect current emission trends and expectations in that year. As others have pointed out in past comments, this will help to align the RGGI cap with the faster-than-expected rate of emission reductions in the region and restore RGGI's carbon price signal and proper market function. Such a correction is also consistent with the approach the states took in the 2012 program review in which they reset the cap to a more reasonable level starting in 2014, while committing to additional reductions in later years. We encourage the states to adopt such a correction in their forthcoming Model Rule.

The Nature Conservancy also supports further strengthening the RGGI program through other program design elements that will maximize the amount of pollution that RGGI will prevent through 2030. These may include:

- conducting an adjustment for banked allowances, consistent with the approach taken during the previous Program Review;
- re-evaluating the cost containment reserve; and
- exploring opportunities to strengthen RGGI by growing the market to include new states and/or new sectors of the economy.

Thank you for the opportunity to submit these comments on the RGGI program review. We are proud to be a part of this process and to support the continued leadership of the RGGI states in reducing the impacts of climate change.

Sincerely,

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