ClimeCo
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The low carbon technology company

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April 2, 2012

Mr. Peter Rennée
Business Manager
Regional Greenhouse Gas Initiative, Inc.
90 Church Street, 4th Floor, New York, NY 10007

Re: March 20, 2012 Stakeholder Meeting Comments

Dear Peter,

ClimeCo America Corporation (ClimeCo) enjoyed participating in the recent March 20th Stakeholder Meeting. ClimeCo would like to present the following comments.

- The scenarios outlined in the IPM models presented by ICF International were created under the assumption that allowances from the current cap would be carried into a new, reduced cap. This would inject over 90 million allowances into the next phase of the program, limiting the reduction requirements from the program as a whole. As addressed by a stakeholder, the large volume of banked allowances inhibits any actual reductions from occurring. More specifically, though there is a reduction in emissions when compared to the reference case, the total emissions from affected sources increase through 2020 regardless of a decreasing cap. ClimeCo recommends that RGGI analyze the costs and benefits of reducing the number of banked allowances from the current cap which can be used to meet compliance obligations under a more stringent cap.

- ClimeCo suggests that an analysis be performed on the effects of removing the price trigger requirements for offset inclusion. Currently, prices must hold at or above a set trigger point for twelve consecutive months before allowing additional offsets into the program. This does not allow for the immediate market correction of pricing and could result in significant compliance costs for that year. ClimeCo suggests that this requirement be omitted. Rather, once a quarterly auction allowance price exceeds the price threshold, allow offsets into the market for that compliance year. In addition, the development of offset projects and the deployment of capital take time and require market certainty. Clean technology investment cannot effectively occur with the current RGGI price trigger requirements.

- RGGI should consider increasing the allowable amount of offset usage. Using eight percent would be consistent with the California Air Resource Board (CARB) AB-32 program, where a capped entity can use offsets regardless of the allowance price.

- Additionally, in order to fully gain the value of offsets, RGGI should look to expand the approved protocols, with a focus on the Climate Action Reserve (CAR) approved protocol list. Currently, projects such as those registered under the CAR Nitric Acid Production Project Protocol can provide cost-efficient, real reductions that are quantified and registered. Offsets produced under CAR's Nitric Acid Protocol distinguish themselves through five aspects:

a. The Protocol outlines a number of *permanent* emission reduction strategies that destroy N_2O emission through catalytic means, rather than being sequestered.
b. The reductions are *real* and *quantifiable* through the use of electronic monitoring systems which accurately calculate the N_2O emission on a continual basis both before and after a projects implementation.
c. The N_2O reductions are *verifiable* and *enforceable*, through annual verifications by accredited third-party firms and as the projects are subject to monitoring requirements more stringent than those required by current USEPA Requirements (under 40 CFR § 60).
d. Tonnes generated from nitric acid projects are *additional* from a regulatory standpoint, as they exceed all existing state and national N_2O regulations and standards.
e. Because there are no financial incentives to reduce N_2O without the sale of carbon offsets, the tonnes generated under the Protocol would not have been created under business-as-usual circumstances and are therefore considered to be *financially additional*.

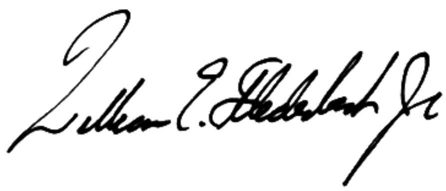
- ClimeCo suggests that RGGI/ICF create multiple analyses which exclude and decrease the program's use of allowances at various levels, showing the importance of offsets within the trading program. This should include an analysis of the impacts of both high load-demand increases and low load-demand increases, and an analysis of all cases without the admission of banked allowances.

- Finally, ClimeCo would like to stress the importance of implementing a sufficient cap. In ICF's models, the caps were to represent high-, mid- and low-level caps; however, the lowest number used in these models was 106 MM tCO_2e in 2014. As the average emissions from 2009-2012 for the nine current RGGI states is 108 MM tCO_2e, implementing a cap over this level encourages the reemergence of the issues RGGI is facing today due to an ineffective cap. By only reducing the cap to 120 or 115 MM tCO_2e, RGGI would still be allowing emissions to increase throughout the region for several years, rather than appropriately restricting emissions. Now is the time to learn from the previous compliance period and to make adjustment to promote real reduction goals. With the lack of a proper driver to reduce their emissions, excess compliance instruments will again exist and remain priced at or near the floor, discouraging any offsets from entering the RGGI marketplace.

ClimeCo appreciates the opportunity to provide our comments to RGGI and we look forward to being involved during the development of Phase II over the months ahead.

Sincerely;

ClimeCo America Corporation



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Cc: Josh Zavilla - ClimeCo