



December 6, 2012

Regional Greenhouse Gas Initiative Inc.
90 Church Street, 4th floor
New York, NY 10007

Re: Proposed changes to the Regional Greenhouse Gas Initiative

Dear Members of the Regional Greenhouse Gas Initiative,

The New York Public Interest Research Group (NYPIRG) is respectfully submitting these comments on proposed changes to the Regional Greenhouse Gas Initiative (RGGI). NYPIRG is New York State's largest environmental and consumer advocacy organization, with tens of thousands of citizen supporters across the state and twenty campus chapters. NYPIRG strongly supports the RGGI program goals of reducing greenhouse gas emissions while spurring green jobs growth and providing funding for clean energy and efficiency programs.

NYPIRG's comments on proposed changes to the program focus on four specific areas:

1. Size of the cap
2. Proposed cost containment reserve
3. Retirement of unsold allowances
4. Include additional sectors and emissions

Setting a New Cap on Carbon Emissions

In order for the RGGI program to achieve the critical goal of reducing carbon emissions, an effective cap must be established. During meetings on November 20th and November 28th, 2012, RGGI Inc. modeled four potential cap scenarios for stakeholders to consider. Those scenarios included setting a cap of 106 M Tons, 101 M Tons, 97 M Tons, and 91 M Tons of carbon emissions. The results of the modeled scenarios show that only the 91 M Ton cap scenario would result in a tangible decrease in overall emissions between now and 2020.¹ However, even under the most aggressive modeled

¹ RGGI Inc. "2012 Proposed IPM Potential Scenarios" November 28, 2012. Slides 10-13.

scenario (91 M Ton cap), the program would only see a reduction of around 3 million tons of carbon emissions from the reference case scenario by the year 2020. This is woefully inadequate.

In order to protect the environmental integrity of the program, achieving actual, significant reductions in carbon emissions must be the foremost priority of RGGI. Therefore, it is unacceptable to entertain setting a cap for which projected emissions fail to decrease significantly, such as is the case with the 106, 101 and 97 Ton cap scenarios. We reject those cap scenarios as incongruent with the core goal of the program. Unfortunately, no cap scenarios below 91 M Tons were modeled or offered for consideration during the current stakeholder process, but we would strongly urge RGGI Inc. to pursue a cap that is lower than the 91 M Tons scenario, and would therefore result in further reduction of emissions. Specifically, we urge that a cap of 85 M Tons be considered, in order to put us on a trajectory to achieve roughly a 20% reduction in emissions by 2020.

Cost Containment Reserve

Given the glut of banked carbon allowances and flexible nature of RGGI's cap-and-trade system, we question whether or not a cost-containment reserve (CCR) is needed. Modeling scenario assumptions presented to stakeholders indicated that total 2012 emissions are projected to be 91 M Tons, there are currently 47 M Tons of banked allowances currently held by the energy sector, and the 2012-2013 banked allowances are projected to be 68 M Tons.² That means that an amount of banked allowances equivalent to 75% of the total 2012 IPM reference case emissions will be available to energy producers next year.

If such a reserve is deemed necessary, we recommend several changes to the proposed CCR. First, the initial trigger price of the CCR is proposed to be set at \$5. The California Air Resources Board (CARB) has announced that the 2013 reserve price for their greenhouse gas allowance auctions will be set at \$10.71.³ That is the minimum price for which allowances will be sold, and yet the proposed CCR price for RGGI would kick in at less than half of California's standard starting. Given the huge price disparity already evident between the RGGI program and the Western Climate Initiative, we suggest considering a significant increase to the CCR trigger price above the proposed \$5. In addition, a CCR is intended to contain costs, and should not compromise the overall long-term goal of reducing emissions. Rather than offering a new pot of carbon emissions allowances to draw upon in the event that the CCR is triggered, such allowances should be pulled from existing sources of reserves such as unsold allowances or future allowances. This would allow the CCR to act as a price-control mechanism without flooding the market with additional emissions allowances.

² RGGI Inc. "2012 Proposed IPM Potential Scenarios," November 28, 2012. Slides 3-6.

³ California Air Resources Board. "2013 Annual Auction Reserve Price Notice," December 3, 2012

Retirement of Unsold Allowances

The effectiveness of the cap-and-trade concept hinges on creating scarcity in the marketplace. If allowances are not sold at auction, leaving such allowances available for later purchase undermines the goal of creating scarcity. Such allowances should be immediately retired, or – as mentioned above – could offer the primary supply of allowances needed for the CCR before dipping into future-year allowances to supply the CCR. This would protect the overall integrity of the cap and help the program realize tangible emissions reductions, even under a scenario where the CCR is triggered.

Include Additional Sectors and Emissions

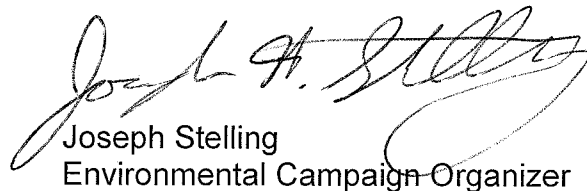
In addition to establishing a strong cap and taking other measures to ensure real, significant carbon emissions reductions, there are two other ways to make RGGI far more effective in working to combat climate change. First, the program should be expanded to include other greenhouse gases. Carbon dioxide is a major contributor to climate change, but there are a number of other emissions such as methane, nitrous oxide and fluorinated gases, that are major contributors and should be included in a comprehensive greenhouse gas reduction program. In addition, the scope of the RGGI program is currently limited to power producers, but many other sectors could be brought in to participate in this cap-and-trade system. We urge you to explore expanding the program to be as comprehensive as possible in capturing significant emitters of carbon dioxide and other greenhouse gases.

Thank you for this opportunity to submit comments on the proposed changes to RGGI. In order to be a truly effective tool in combatting climate change, maximizing emissions reductions and making the program as comprehensive as possible must be the focus of the impending changes to RGGI. We look forward to further opportunities to participate in the development and review of this program.

Sincerely,



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Senior Environmental Associate



Joseph Stelling
Environmental Campaign Organizer

CC: Lois New, NYS DEC Office of Climate Change
Thomas Congdon, Deputy Secretary for Energy, Office of Governor Andrew Cuomo

