



# **CLEAN WATER ACTION**

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**Clean Water Action Connecticut Comments on RGGI Final Report:**  
“Auction Design for Selling CO2 Emission Allowances Under the RGGI”

Clean Water Action would like to commend the RGGI Auction Team and the staff working groups for their efforts to design a starting point for a RGGI auction system. In general, Clean Water Action is highly supportive of the conclusions that came out of the RGGI Final auctions report. It is clear from the final report that certain issues will need to be addressed to avoid program pitfalls.

We believe that RGGI, Inc. needs to move forward with the initial auction in 2008 for price discovery and market assurances. We want to see as seamless a transition as possible to a carbon-regulated economy, and starting the auction before the program begins should help smooth the way. It also is clear that there is a lack of data on current emissions, as most data is incomplete with many states still behind on their 2006 updates. The effectiveness of the design program would be greatly improved through more accurate and timely state updates. Even in the absence of solid data we can still take steps to create a stable carbon market and functional auction by establishing an appropriate reserve price, which is fairly standard for auction design.

The performance of RGGI might be compromised due to below-value prices for carbon permits. Finding an appropriate price for carbon is critical to achieve RGGI's goals of moving the power sector towards more efficient practices and real reductions in the region's greenhouse gas emissions. We ask that RGGI Inc. establish a floor reserve price to prevent collusion, protect the integrity of the carbon market, and to give appropriate signals to make investments in cleaner generation, renewable energy, and energy efficiency. Allowances not sold at the reserve price should be taken out of circulation through retirement.

Finally a successful auction trading market needs some monitoring provisions that allow for a robust trading scheme while preventing market manipulation. There should be high levels of collaboration with the three regional ISO/RTOs and should be assisted through a third party market monitoring entity. The initial design and implementation of RGGI are critical to the program's success and efforts need to be made to ensure a healthy auction trade market that gives proper price signals for pollution credits and deters collusive behaviors. By adopting these changes, RGGI can set a precedent for how to do cap and trade well.

Thank you for your consideration,  
Roger Smith  
Campaign Director  
Clean Water Action Connecticut