

Postal address:
Locked Bag 6503
North Sydney NSW 2060

Hyder Consulting Pty Ltd
ABN 76 104 485 289
Level 5, 141 Walker Street
North Sydney NSW 2060
Australia
Tel: +61 2 8907 9000
Fax: +61 2 8907 9001
www.hyderconsulting.com

16 May 2006

RGGI Staff Working Group

Direct phone: +61 2 8907 9283

Submission on Model Rule for Public Consultation

Hyder Consulting welcomes the opportunity to comment on the Public Review Model Rule Draft for a regional greenhouse gas emissions trading scheme.

Hyder Consulting is a leading international management, engineering and environmental consultancy, with offices and projects in many countries. Hyder has a dedicated climate change capability, advising on corporate strategy, project structuring and technology commercialisation and deployment in a range of jurisdictions. Hyder has been active in the international climate change policy arena, participating in delegations and making interventions at multilateral, national, and regional policy and market policy discussions. Hyder is working to ensure that the opportunities for the reduction of greenhouse gas emissions through market mechanisms is maximised. Hyder has been following the development of the RGGI with interest.

Hyder very much welcomes the initiative of the states participating in the development of this scheme, and would like to commend those participating entities for the progress made to date in scheme design and policy agreement. Broadly, Hyder supports the model of a cap-and-trade scheme with the inclusion of offset projects.

In this instance, Hyder would like to take the opportunity to comment on the draft provisions for offset projects under the draft rules within the scheme, and the efforts that have been made to provide for a broad geographical and sectoral disposition of projects.

Hyder supports efforts to ensure that project offsets should be able to be undertaken beyond the geographical boundaries of those states participating in the RGGI.

Some clarification around general provisions for offset projects may, however, be desirable. This might include whether projects may be allowed to be allocated credits under similar programs or schemes, as described in 10.3.d.(iii). For example, full fungibility between schemes would, in our view, be desirable – thus allowing a project to be recognised and allocated credits under one scheme, and some or all of these credits subsequently made available to RGGI participants, so long as any double-counting is avoided and suitable vintages are recognised, as discussed in 10.3 (d) (ii). There would need to be a high level of cooperation with other scheme administrators for this to occur, and Hyder would welcome this approach. Such a provision would significantly reduce transaction costs, improve liquidity, and ease transition to any internationally-linked scheme.

Hyder would also like to draw to the attention of the regulators our view that the expansion of sections 10.3. (1-6) may be desirable. Hyder believes that the scope for offset projects should

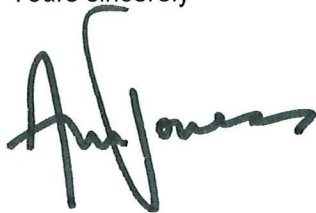
be more permissive, and allow for a number of project types to be included, including those in the electricity generation sector. At the very least, we would strongly urge the formalisation of a mechanism to provide for the review and consideration of new project types and new methodologies during the design and operation stages of the scheme.

We fully support provisions for project additionality, and for emissions verification provisions, so that environmental integrity is maximised.

Hyder would like to draw to the attention of the RGGI Secretariat the potentially adverse effects of some provisions of section 10.5 (a - f). As discussed above, Hyder believes the section 10.3 project type list to be too restrictive, but that 10.5 further unnecessarily restricts options within those categories. For example, Section 10.5 (b) discusses SF6 reduction project offset eligibility, but needlessly and artificially limits the application for this project type by restricting projects to electricity transmission and distribution. This scope limitation, along with the definition for SF6-containing operating equipment should be changed. SF6 is also used in a number of other industries, including semiconductor manufacture and magnesium casting and die-casting. Suitable replacements have been investigated within these industries, with the US EPA and peak industry associations both in the US and internationally compiling significant data and technology application information. USEPA initiatives, along with industry associations and IPCC emissions assessment methodologies have provided a strong platform for understanding marginal abatement costs, assessment methodologies, and technology options within these industries. This knowledge could be reasonably applied for use by the RGGI. It is widely perceived that incentives need to be provided for the timely application of these solutions. Thus the RGGI should lead by presenting such an opportunity, thereby demonstrating the technology transfer capability of environmental markets. Hyder will be happy to share our expertise in this matter with the RGGI secretariat.

Hyder very much looks forward to the opportunity to continue a constructive dialogue with the RGGI Staff Working Group relating to the development of the RGGI. We would welcome contact with RGGI officials on the points raised in this submission, and on other issues going forward.

Yours sincerely



Andrew Jones
Senior Consultant
Climate Change Policy and Projects