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RGGI Working Group  
Via e-mail:

Re: International Paper Comments on RGGI Draft Model Rule

Ladies and Gentlemen of the RGGI Staff Working Group:

International Paper (IP) would like to submit the following comments on the draft Model Rule. We are not commenting on all provisions of the rule, but only those areas where we have particular experience and knowledge.

We would like to commend the Staff Working Group (SWG) for an excellent effort in issuing a draft rule that appears to be balanced and that incorporates many of the comments provided throughout the Stakeholder process. We are especially pleased with efforts that have been made to incorporate comments on offset projects and to avoid many of the pitfalls inherent in other programs, especially the Kyoto CDM.

International Paper would like to provide specific comments on the following areas of the draft Model Rule:

- Definition of biomass
- Applicability requirements for units selling less than 10% of generation to the grid
- Offset projects
  - a. Capture of incentives from other incentive programs
  - b. Afforestation provisions
  - c. Verifier accreditation

#### Definition of Biomass

The model rule definition of eligible biomass includes technologies that employ **unadulterated** biomass and excludes non-construction and demolition debris. We strongly encourage the SWG to revisit this definition. The current definition, as written, could potentially exclude valuable sources of renewable bio-based materials that might prove to be excellent supplements or replacements for fossil fuels.

In the forest products industry and related industries, materials that have for decades been considered exempt from fossil fuel requirements include spent pulping liquors, turpentine and tall oil. It is unclear from the definition provided whether the SWG intended to include or exclude such valuable sources of biofuel.

We believe that the RGGI rule, as the first U.S. based regulatory process to control greenhouse gas emissions, should be very careful to avoid excluding potentially valuable renewables. If the SWG included the term "unadulterated" in an effort to ensure the environmental integrity of biofuels being considered under the RGGI program, this concern is unfounded. A large body of

highly restrictive rules exist at the federal and state levels which control particulate matter and hazardous air pollutants and the permitting of combustion sources. These rules are sufficiently protective of the environmental integrity of such fuels.

Given that other rules address the other potential issues associated with the combustion of unusual fuels, we very strongly encourage the SWG to be inclusive rather than exclusive in the RGGI use of biomass. This point should be even more important when considering the U.S. efforts to move to other, innovative, sources of fuel.

Additionally, it should be recognized that many of these types of bio-based fuels, such as black liquor, have secondary environmental effects in the marketplace by encouraging the retention of open-space and forested land. The environmental benefits associated with forest management by the forest products industry should be encouraged rather than discouraged through the implementation of climate change programs.

#### Applicability

International Paper is pleased that the SWG included an exemption for units that sell less than 10% of their generation to the grid. The only comment we have on this is the provision for a required permit restriction. We would like to encourage the SWG to include a statement indicating that inclusion of a permit restriction to limit generation to less than 10% would be handled as an Administrative Amendment in the Title V permitting process to avoid long delays in getting the restrictions added.

#### Offset Projects

##### A. Capture of incentives from other incentive programs

The Staff Working specifically requested comment on the issue of whether or not the program should allow for the capture of incentives from other programs and, if so, what further additionality requirements would be warranted. International Paper opposes the inclusion of projects receiving revenue from other incentive programs for the same attribute (i.e. CO<sub>2</sub> reduction). We believe that the credibility and workability of the offset program is critical for a pioneering program such as RGGI. The inclusion of projects receiving benefits from other programs will open the RGGI offset process to potential criticisms and will impose substantial administrative costs on the program. IP has very clearly supported *a priori* additionality requirements that are embedded in the regulations to avoid a subjective and bureaucratically burdensome project approval process; a process which has failed in the Kyoto CDM program.

While IP does not fundamentally believe that some projects could or even should receive benefits from multiple programs, we believe that trading these benefits for a more arduous and subjective case-by-case additionality process could jeopardize the viability of the program. Benefits from multiple programs should be allowed only if the project attributes are “unbundled” such that, for example, NO<sub>x</sub> credits could be sold under one program and CO<sub>2</sub> credits under RGGI.

##### B. Afforestation provisions

International Paper is pleased that offset provisions for afforestation have been added. We would like to comment, however, on the required carbon pools. Section xx-10.3 (c)(3)(i) lists the carbon pools that are required to be included in the baseline determination and subsequent monitoring. While all three required carbon pools may change under different forest management scenarios, we contend that below ground tree biomass and soil carbon are so likely to increase under an *afforestation* situation that detailed measurements of these pools should be optional. Making soil carbon and below ground tree biomass optional would be a

conservative approach that will be protective of the environment but will not overly burden a project developer with substantial measurement and monitoring costs unless credits are pursued for these pools.

C. Verifier accreditation

IP supports the inclusion of verifier accreditation. We request, however, that the SWG consider including a provision for removing accreditation when circumstances warrant. Though our experience and close observation of the Kyoto CDM process, IP believes that in some circumstances projects have been submitted for approval to the CDM Executive Board which do not meet basic, even simple, requirements for project eligibility. This issue has resulted in extreme oversight and review on the part of the Executive Board in the area of quality control around basic applicability. Such oversight has resulted in a drain on the Board's resources and has, eventually, led to stagnation of the program and questions concerning the workability of offset projects for Kyoto emissions trading. In short, the failure of verifiers to perform has jeopardized the integrity of the offset provisions under the Kyoto protocol.

We believe it is very important for the RGGI program to ensure that quality projects are approved, and that project developers, through their verifiers, should bear the cost of ensuring that projects meet the prescribed standards. This can be achieved by including a provision that would allow accreditation to be removed if state compliance officials encounter projects which do not meet the provisions as certified by the verifier.

International Paper is a member of IETA (International Emissions Trading Association) and we also support their comments.

Again, we would like to thank the SWG for the opportunity to comment on this draft rule and especially for their efforts in developing sound regulations on this very difficult issue. We hope that this quality effort continues through final implementation since we expect that many provisions of this rule will be looked to as an example, if and when, federal provisions are developed.

Sincerely,



Karen Lynn

cc: Karen Neale, IP Public Affairs