

**Appalachian Mountain Club comments to RGGI Staff Working Group regarding the
August 24th Draft Model Rule
September 16th, 2005**

The Appalachian Mountain Club (AMC) is pleased to provide comments on the recent draft RGGI proposal offered by the Staff Working Group (SWG) on August 24th, 2005. AMC is a regional recreational and conservation organization with nearly 90,000 members, the majority of which reside in RGGI participant states. We are very concerned about the environmental and human health impacts in our region from human-induced climate forcing, including the threats to the unique alpine areas of the Northeast's mountains. Therefore, we are encouraged by the leadership taken by RGGI states to work on a strategy to reduce greenhouse gas emissions from our region's fossil fuel powered electric generating facilities, and believe this approach could serve as a model for the nation.

While this endeavor is challenging, it is essential that it proceed ahead despite the difficulties and that it result in meaningful advancement towards reaching the targets agreed to in the New England Governors and Canadian Eastern Premiers (NEG-CEP) Climate Action Plan. The control strategy must result in reasonable reductions in power plant emissions while maintaining reasonable prices for electricity consumers. The package program should seize this opportunity to make significant advances in energy efficiency and stimulate renewable power generation. This draft proposal, while a significant step in the right direction, would be difficult for our organization to support in its current form. That said, we believe that with some modifications to this proposal our states and the region could successfully reduce greenhouse gas emissions, as well as other harmful air pollutants, from its power-generating sector and provide a model for the nation to follow.

Specific comments on the draft model rule

Applicability

We support the cut-off of 25 MW or greater for facilities burning more than 50% fossil fuel and sell more than 10% of their energy to the grid as described in the draft model rule.

Regional Cap

The purpose of the initial cap included in the model rule should be to stabilize current emissions, as suggested by the SWG, and this cap should be based on the most current and accurate emissions data available. Data provided to date by states, and accessible on the RGGI web site, indicate that current emissions of carbon dioxide are well below the proposed 150 million ton level (see below table).

Best Estimates of Total Annual Carbon Dioxide Emissions from RGGI States Eligible Sources^φ.

State	2000	2001	2002	2003	2004
CT	11,875,084	10,932,295	9,727,730	9,180,948	9,929,072
DE	7,403,897	7,645,302	7,663,163	7,415,535	7,534,152
ME	3,658,580	6,627,343	6,192,783	6,265,160	5,974,393
MA	25,452,678	25,400,307	25,152,627	27,218,207	26,369,628
NH	5,178,731	4,862,446	5,556,992	8,478,382	8,812,538
NJ	21,954,958	20,177,617	21,145,665	20,359,235	20,445,504
NY	69,809,350	65,553,669	61,367,395	61,819,571	61,421,943
RI	2,959,593	1,782,110	3,254,015	2,668,990	2,219,100
VT	429,725	317,136	299,630	383,809	378,407
Totals	148,722,595	143,298,224	140,360,000	143,789,837	143,084,736
			AMC would support these Avg. values for an initial cap	5 Yr Average:	143,851,079
				02-04 Average:	142,411,525

^φ NJ 2003 and 2004 emissions are not finalized.

We support using a 3-year or 5-year average of current emissions rather than a pick and choose approach of the highest 3-years within a 5-year window.

AMC supports a phase-in approach; however, we believe it is feasible and necessary that the reduction be 25% and start earlier than 2015. The current target of 10% below current emissions, and the proposed timeline for meeting that target, are weaker than state climate action plans (based on NEG-CEP), current state laws, as well as some recently proposed bills in Congress. The table below gives a general summary of caps and timelines.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2020	2050
8/24 RGGI proposal¹				Cap to 2000-2004 emission levels						Reduce from current by average 10%		
State Laws¹												
New Hampshire		Cap to 1990 emission levels			TBD							
Massachusetts	Cap to current		Reduce from current by average 10%									
Climate Action Plan²												
NEG-CEP				Cap to 1990 emission levels (all sectors)						10% below 1990	~75-85% below current	
National Proposed Bills												
S. 150 Clean Power Act ¹				Cap to 1990 emission levels								
HR 1873 Clean Air Planning Act ¹				Cap to 2006 emission levels				Reduce to 2001 emission levels				
S. 1151 Climate Stewardship Act ²				Cap at 2000 emission levels (all sectors)								

Phase 1, Phase 2, Phase 3

1. Generally applies to fossil fuel burning power plants. NH only applies to set of in state power plants 2. Applies to all sectors.

In order to curb the impacts of climate forcing in the next 50-100 years, scientists are calling for a 75-85% reduction in greenhouse gases below current levels in the long-term. This region should be aiming higher than has been proposed for meaningful progress to be made. We suggest using an earlier start date of 2007 for the initial cap, then a start of a 25% reduction in 2010-2020.

Another timeline-related issue is the review in 2015 before reductions from the baseline are even achieved. This early evaluation may foster uncertainty for those who have to comply with the regulation. This date could be kept if the new timeline we suggested above was followed.

The integrity of the cap, subsequent reductions, and timeline depends on many other aspects of the program. This includes early action credits, banking and offsets, and leakage, which we will comment on below. It is essential that these other provisions, while providing flexibility, do not undermine achievement of the final targets and timelines that are set.

Allowance Allocation

The AMC believes that the proposed 20% of allowances for consumer benefits is too low and that 50% is preferable. An even higher percentage should be phased in over time. Others who have been tracking this issue closely have commented that there is strong evidence in numerous economic analyses that generators will be compensated for compliance costs if provided with 10-20 percent free allowances¹. These analyses should be considered, as well as evaluating the impacts of giving generators too large a portion of allowances for free on gaining long-term reductions. We also are concerned about the definition of a consumer benefit project, and believe it should be more narrowly

¹ Clean Power Now et al. comments submitted 9/13/05 to SWG

defined to include only those projects that result in increased energy efficiency and direct consumer rebates on electricity bills.

Early Action Credits, which will allow credits to be given for projects pre-2009 that occur after the program is instated, should be limited. While this may be an important incentive, it should be used with care, as it could end up significantly delaying the realization of the emission caps within a reasonable timeline.

Offsets

We support some use of offsets within the RGGI program to provide flexibility and reduce costs of the program. However, we can not support a model rule that allows 50% of the reductions (calculated as the difference between Business As Usual (BAU) and the cap levels) to be met using offsets. We believe that the BAU projections, while calculated using valid models, are too uncertain to be used in determining allowed reductions for offsets. The amount of offsets should be calculated against actual emission reductions and not BAU. In addition, this program should be focused on getting the majority of reductions from fossil fuel power plants, and a 50% offset provision significantly diminishes the region's ability to meet the goals necessary to make real progress. We would recommend that offsets be no higher than 20%, and also that they be reduced over time.

The success of any offset program is dependent on the development and implementation of criteria that determines what projects qualify. We advocate that these criteria be set at the regional level and be applied consistently to proposed offsets projects mentioned in the rule and any added in the future. We will support the use of offsets within the RGGI rules only if the criteria used is as stringent as the Massachusetts state regulations (310 CMR 7.29) that require they be real, surplus, permanent, verifiable and enforceable.

Leakage

The AMC is concerned about leakage and its impact on achieving real reductions in the region. As we understand it, the Strategic Carbon Fund (SCF) does not reduce leakage but instead would go towards reducing emissions to offset any leakage. Leakage could result in importation of dirtier power from neighboring states and hence could result in increasing air pollution and carbon dioxide emissions in the region. We believe leakage should be prevented rather than offset, and agree with others who have suggested that imports should be included as in the RGGI region emissions and that affected states should be required to regulate them as such.

We appreciate the time and effort that state staff and officials have already put into this process. We look forward to working with individual states once the RGGI model rule has been finalized. Thank you for the opportunity to comment, and please contact us with any questions at gmurray@outdoors.org or 603-466-2721 x111

Sincerely,

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