

February 2, 2006

Dear RGGI Environmental and Energy Agency Heads,

The Northeast Regional Greenhouse Gas Coalition (GHG Coalition) recognizes that RGGI is a first of its kind program in the U.S. and that the RGGI development activities in 2006 will go a long way in determining the program's success.<sup>1</sup> While the RGGI MOU is an important milestone, a number of details remain to be developed in the Model Rule. In addition to the Model Rule, there are two crucial issues that must be managed effectively going forward in the RGGI process—the evaluation and development of an approach to address electricity imports and the anticipated CO<sub>2</sub> and air pollution emissions leakage and the development of the carbon offsets component. This letter outlines the GHG Coalition's recommendations regarding the approach that the RGGI states should implement to address the issues of leakage and offsets.

### **Electricity Imports and Emissions Leakage**

The GHG Coalition applauds the RGGI Signatory States for making the commitment to address the potential for environmental and economic impacts associated with electricity imports from outside the RGGI region along with the implementation of the program in 2009. The GHG Coalition recommends that a leakage panel be formed that is led by the public utility commissions of the RGGI Signatory States to evaluate and recommend regulatory approaches to addressing the issue. A RGGI PUC representative from each of the three regional transmission organizations (RTO) should jointly chair the panel. The panel should not only consist of representatives from the RGGI Signatory State PUCs, but also representatives from the three RTOs, market and Commerce Clause experts from academia, the private sector, and non-profit organizations.

The leakage panel should develop a work plan that includes commissioning a qualified, experienced independent consultant to develop a report that analyzes leakage and provides regulatory options on how best to limit it. Using the report, the leakage panel should develop consensus recommendations. The panel's final recommendations and consultant report should be submitted to the RGGI Staff Working Group, the RGGI PUC Chairmen and DEP Commissioners for discussion and consideration. The discussion and consideration of the leakage panel's final recommendations should be managed by an effective neutral facilitator and also include broad stakeholder involvement.

1. The GHG Coalition members endorsing these comments include BP America, Inc.; Conectiv Energy; Consolidated Edison, Inc.; Public Service Enterprise Group, Inc.; and Waste Management, Inc.

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Conectiv Energy

Consolidated Edison, Inc.

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## Carbon Offsets

The GHG Coalition also applauds the RGGI Signatory States for recognizing the role of emission reductions outside of the emissions from electric generation facilities, or so called “offsets”, from anywhere in the United States to achieve the most cost effective GHG emission reductions. The GHG Coalition recognizes that there are many details that must be developed in order to achieve a cost effective, credible carbon offsets program that is implemented expeditiously. As such, the GHG Coalition recommends that a carbon offset panel be formed that is led by the environmental agencies of the RGGI Signatory States. The panel should be charged with evaluating and recommending a cost effective, streamlined, robust, and standardized RGGI carbon offset component. The panel should consist of representatives from the RGGI Signatory State DEPs, experts from existing offset trading programs, private sector users and generators of offsets, and non-profit organizations.

The offset panel should develop a work plan and commission a report by a qualified consultant or by a technical organization such as NESCAUM. The report should provide options and recommendations on the carbon offset application and approval process, the quantification and reporting protocols, and the process for adding eligible offset categories over time. Using the report, the offset panel should develop consensus recommendations. The panel’s final recommendations and consultant report should be submitted to the RGGI Staff Working Group, the RGGI DEP Commissioners and PUC Chairmen for discussion and consideration. The discussion and consideration of the offset panel’s recommendations should be managed by an effective neutral facilitator and also include broad stakeholder involvement.

We look forward to remaining an active and constructive participant in the development of RGGI so that RGGI can be viewed as cost effective and an effective national model.

Sincerely,

*Michael Bradley*

Michael Bradley

cc: RGGI Environmental Agency Heads  
RGGI Energy Agency Heads  
RGGI Staff Working Group