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STEPHEN G. WARD  
PUBLIC ADVOCATE

RE: RGGI Modeling Committee  
RGGI Stakeholders  
State Working Group staff, Regional Greenhouse Gas Initiative

Dear State Working Group and Fellow RGGI Stakeholders:

At the June 24 Stakeholders meeting, Dr. Dallas Burtraw of Resources for the Future gave a convincing presentation on the impacts of different methods of allocating carbon dioxide allowances under a regional greenhouse gas initiative. Dr. Burtraw argued that "in a competitive electricity market (e.g. the Northeast) firms are expected to try to charge consumers for the market value of using allowances regardless of how they are obtained (for free or through an auction)." The result is that electricity prices will rise, perhaps substantially.

Dr. Burtraw argued that the situation with CO<sub>2</sub> is entirely different from what has been the case for sulfur dioxide, and that the stakes for consumers are much higher, with the potential for billions of dollars in higher electricity bills.

Because of the magnitude of potential cost impacts, it is vital that the socioeconomic modeling done for RGGI include an analysis of the distributional impacts on households at different income levels, especially on low- and moderate-income households. This analysis should examine the impacts under different methods of allocating allowances – for example, whether all the allowances are given to electricity generators for free, or whether most of them are reserved for "public benefits," potentially including some form of rebates to consumers.

It is my understanding that the current plan for socioeconomic modeling using the REMI model includes no distributional analysis. This omission from the workplan should be corrected, and I urge the State Working Group staff to do so. Please let myself, the other Modeling Committee members, and the other Stakeholders, know what your response is to this proposal.

Yours truly,

Stephen G. Ward  
Public Advocate,  
RGGI Stakeholder

cc: Mark Breslow, MCAN



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