

# **COMMENTS OF THE NEW YORK STATE COALITION OF ENERGY AND BUSINESS GROUPS**

## **REGIONAL GREENHOUSE GAS INITIATIVE REGIONAL STAKEHOLDER FORUM**

**April 2, 2004**

The New York State Coalition of energy and business groups includes generators, suppliers, utilities, businesses, and unions. The Coalition's members are the Environmental Energy Alliance of New York, the Independent Power Producers of New York, Inc., The Energy Association of New York State, The Business Council of New York State, Inc., Utility Workers of America, AFL-CIO Local 1-2, and the International Brotherhood of Electrical Workers, Locals 83, 97 & 503. Together, these organizations represent approximately 50 energy companies, over 4000 businesses, and nearly 20,000 productive New York workers. A brief description of each New York State Coalition member organization is attached as Appendix A.

### ***Stakeholder Input Important***

The New York State Coalition appreciates that the RGGI will have an open process for stakeholder input. An open process is essential for understanding the effect that the Initiative will have on each of the participating states and the region as a whole. Stakeholders should have the opportunity to provide input before key decisions on program goals and implementation strategies are made.

We applaud the revisions that have been made to the original draft stakeholder process. Especially important is the provision that allows stakeholders who are not sitting members of the Regional Stakeholder Group to have the opportunity to comment on these discussions.

### ***Regional Approach at Minimum***

The New York State Coalition strongly supports a regional approach as the minimum acceptable mechanism necessary to tackle climate change issues in a cost-effective manner, while minimizing competitive disadvantages. The Coalition further believes that a national program is the preferred approach and would preclude implementation and geographical injustice issues that are likely to arise in even a large regional program such as RGGI.

In the absence of a national program, the New York State Coalition recognizes RGGI as an appropriate forum to seek consensus for the implementation mechanism of a regional program. RGGI should strive to recommend integrated state CO<sub>2</sub> reductions that will ensure for energy affordability through regulatory flexibility, energy system reliability, fuel diversity, job stability and an overall healthy economy within each of the participating states and the region as a whole.

### *New York's Existing Efforts to be Credited*

Even though the Northeast states are not the main source of CO<sub>2</sub> in this country, they are taking the lead on addressing CO<sub>2</sub> emissions. New York and several other participating states have already taken steps to reduce CO<sub>2</sub> emissions. Since 1990, CO<sub>2</sub> emissions from the electric generating sector in New York State have been declining. One critical policy decision before RGGI will be the recommended level of CO<sub>2</sub> reductions to be required by each participating state under a proposed cap and trade program. Reductions should be apportioned fairly and provide full credit for the significant CO<sub>2</sub> emissions progress that New York State has already made.

The New York State Coalition advocates that 1990 should be utilized as the baseline year in determining the CO<sub>2</sub> allowance budget. Utilization of any other baseline year would ignore the progress made to date in New York State and would unfairly economically harm New York State businesses and energy consumers when compared to many other states inside and outside of the program. Historical emission reductions from an established baseline level should be quantified and credited as part of the emission reduction goal of the RGGI.

### *Coalition's Goals for the RGGI*

The New York Coalition supports the stated Program Goal<sup>1</sup> to reduce CO<sub>2</sub> emissions while maintaining energy affordability and reliability. Understanding the impact of the RGGI on the continued operation of generators is essential for ensuring an adequate power supply. Fuel diversity also is important for maintaining a reliable electricity supply. If generators are placed at a competitive disadvantage and cannot continue to operate, electricity cost and reliability will be jeopardized.

The environmental benefits of the program should be demonstrable and sufficient to justify costs. The Coalition is concerned that the RGGI may not be able to achieve this goal. Modeling performed in Connecticut forewarns that emission reduction gains achieved through a regional program could be significantly minimized by increased emissions in states and Canadian Provinces outside of the program. As power plants in RGGI participating states change how they operate to meet requirements under the program, electricity prices and the cost of fuels are likely to increase creating an advantage for power plants outside of the region. Increases in electricity production and attendant CO<sub>2</sub> increases external to the RGGI region will be adverse to the RGGI environmental goals and be economically disadvantageous to the economic well being of participating states.

The New York State Coalition urges the RGGI decision makers to develop a flexible regulatory program. The final model rule for states to adopt should provide for the broadest possible pool of offsets and sources of credits to ensure that program implementation costs are low and that energy prices do not rise. Emission reduction efforts of other greenhouse gas sources in New York and elsewhere are scientifically appropriate for use in creating offsets or credits for

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<sup>1</sup> Regional Greenhouse Gas Initiative (RGGI): Goals, Proposed Tasks, and Short-Term Action Items. Adopted at the Meeting of Commissioners, September 29, 2003.

electricity generators to help them meet any agreed-upon reductions under the RGGI. Credits should not be limited to carbon dioxide reductions alone, but should include reductions of other greenhouse gases, especially those more potent than carbon dioxide, on a carbon equivalent basis. The inclusion of generally recognized greenhouse gases from all sources has the potential to provide for significant savings and compliance flexibility to electric generators. As a result, the RGGI would have less impact on the workers and citizens of the states that ultimately may participate in the cap and trade program.

### *Conclusion*

The New York State Coalition of energy and business groups is pleased to be included in the RGGI Regional Stakeholder Group. The Coalition will work to ensure that a regional cap and trade program is developed in a manner that preserves the reliability of New York's electric system and maintains the stability of energy prices needed to promote a healthy economy within New York.

## APPENDIX A

### Members of the New York Coalition

**The Business Council of New York State** is a broad-based advocate for the business in New York, speaking out on state government issues for over 4,000 member companies, chambers of commerce and associations.

**The Energy Association of N.Y. State** is a trade association representing the interests of New York's major electric generation, electric delivery and natural gas companies that provide energy services throughout New York State. The Energy Association assists its member companies through various activities including the exchange of information and ideas with and between policy makers and actively promotes industry and customer concerns regarding, among other things, system reliability, price sensitivity, the state's environment and economic development.

**The Environmental Energy Alliance of New York** is an unincorporated association of fourteen electric generating companies, and electric and gas transmission and distribution companies that provide energy services in the state. The Alliance brings together a diverse and experienced group of environmental and engineering experts to address regulatory and industry environmental policy issues and operational considerations that are most effectively approached on a statewide basis.

**The Independent Power Producers of New York, Inc.** (IPPNY) is a trade association representing over 100 member companies involved in the development of electric generating facilities; the generation, sale and marketing of electric power and the development of natural gas facilities in the state of New York. IPPNY members, utilizing hydropower, nuclear, natural gas, wind, oil, coal, waste-to-energy and biomass technologies produce more than 70 percent of the electric generating capacity in New York.

**The Utility Workers of America, AFL-CIO, Local 1-2** represents the interests of approximately 9,200 bargaining unit members employed by utilities and electric generators in the New York City metropolitan area. **The International Brotherhood of Electrical Workers, Local 83, 97 and 503** represent the interests of approximately 8,500 union members employed by utilities and electric generators through central and upstate New York. Members of the local unions are instrumental in their companies' provision of safe, adequate and reliable energy services, at just and reasonable rates to utility customers throughout New York.