



THE NORTHEASTERN REGIONAL GREENHOUSE GAS INITIATIVE

Comments on the Staff Revised Working Group Proposal September 20, 2005

The Nature Conservancy strongly supports the proposed model rule to implement a greenhouse gas (GHG) cap-and-trade program that will implement a framework to achieve significant reductions in CO₂ emissions from power generators in the Northeast. The Nature Conservancy submits these comments in response to the Regional Greenhouse Gas Initiative (RGGI) Staff Revised Staff Working Group Proposal, dated 8/24/05.

The Nature Conservancy supports the RGGI program as it sets as an exemplary precedent for the establishment of a system to cap CO₂ emissions from the energy sector using a market-based system at little to no cost to the consumer. We view the success of a Northeast regional cap and trade program as catalyst for regional and national action which is critical to reducing heat-trapping emissions and minimizing the impacts we are observing at the diverse expanse of habitats owned and managed by the Conservancy.

While the Conservancy does support the model rule, we support a stronger cap than the proposed stabilization at 150 million tons until 2015 and then a 10% reduction through 2020. This proposed reduction is at best a stabilization of emission levels from the energy sector. Modeling suggests that a more substantial cap could be easily established at minimal to no cost to consumers of electricity.

As proposed, we also support allowing covered sources to meet a portion of their emission reduction targets using carbon offsets from well-designed land-use projects. Allowing the use of this type of offsets would increase the flexibility for compliance and lower the overall compliance costs. The use of offsets also could allow for lowering the cap at no additional cost. In addition, such projects have the potential to generate substantial environmental and social co-benefits. Overall, the Conservancy urges the RGGI staff to structure the rules on the use of offsets to assure that significant emission reductions occur at the regulated power plants in the region. We believe the amount of allowable offsets should be in the range of 20% to 25% of the required reductions.

We support the proposal to add forest management projects as allowable offset types. In addition, as we have stated previously, we are concerned that limiting land-use offsets to those created in the RGGI region may hamper the availability of high quality and cost effective offset projects. We urge the staff to consider allowing projects outside of the RGGI region to submit offsets perhaps at a discounted rate.

We are currently embarked on a study, The Northeast Carbon Feasibility Project, which will determine and measure the amount of carbon available from various land use activities in the RGGI region. The results of this study, due in January 2007, will provide us with a much clearer understanding of the quality, quantity and potential cost of carbon creation from land use activities. No such previous systematic measurement of this kind has been conducted and until the results of this study are available we feel it premature to lock in the geographic scope or eligible project types for use of land use offsets in the RGGI program. Much more important is the establishment of sound rules to ensure real, surplus,

permanent, verifiable and permanent offsets. We pledge to work with the state staff to ensure that the rules crafted for land use offset projects meet these tests.

The state staff and executive branch participating in RGGI have demonstrated tremendous leadership by stepping forward to craft this proposed model rule. We encourage them to follow through in signing the Memorandum of Understanding (MOU) and allowing this process to proceed to the next step of having each participating state proceed with regulatory adoption.