The City of New York

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VIA E-MAIL

Nicole Singh
Executive Director
RGGI, Inc.
90 Church Street, 4th Floor
New York, NY 10007

Re: 2016 Regional Greenhouse Gas Initiative Program Review

Dear Ms. Singh:

In accordance with the request at the February 2, 2016 Regional Greenhouse Gas Initiative ("RGGI") stakeholder meeting regarding the 2016 program review, the City of New York ("City") hereby offers these comments on aspects of the RGGI Program. To date, RGGI has achieved significant emission reductions from covered sources while not significantly adversely impacting energy affordability and reliability. Indeed, RGGI is a key component towards meeting the goals of reducing greenhouse gas emissions and improving air quality. Consistent with State and City emission reduction goals, the City strongly encourages the development of prospective RGGI emission goals and policies that will continue and expand upon past accomplishments. This proceeding presents an opportunity for the RGGI States and other interested stakeholders to work together to develop RGGI emission targets that are more in line with the achievement of various State and City goals, while continuing to foster reliability and affordability.

I. RGGI Should Continue to Expand Emission Reduction Goals

Since its launch, RGGI has helped reduce CO_2 emission from the power sector by 35 percent.[1] In fact, compliance with the Clean Power Plan ("CPP") will require minor or no

[1] RGGI COATS data, www.rggi.org/market/tracking/public-reporting.

additional reductions after 2020.[2] However, consistent with City and State emission reduction goals, further reductions are required.

The City has established ambitious public policies and goals regarding the reduction of criteria air pollutants and greenhouse gas emissions and the use of renewable sources of energy. As set forth in *One New York: The Plan for a Strong and Just City*, Mayor Bill de Blasio has set a citywide target to reduce greenhouse gas emissions by 80 percent and limit the metric tons of carbon per person to under two by 2050 – a target set by the UN to avoid catastrophic effects of climate change worldwide.[3] Air pollution continues to be of great concern to the City, as such pollutants cause serious health issues for City residents. All neighborhoods are affected by these health impacts, but they disproportionately occur in high poverty communities and among vulnerable populations.[4] To improve these conditions, the City has committed to having the best air quality among all large U.S. cities by 2030 through the implementation of local strategies. The City also is working with State and Federal partners to reduce emissions from upwind sources.[5]

Similarly, New York State has established statewide goals to both reduce greenhouse gas emissions by 40 percent from 1990 levels by 2030, and reduce energy consumption in buildings by 23 percent from 2012 levels.

The RGGI program review represents an opportunity to more closely align RGGI's emission targets with the City's and State's clean energy goals. Importantly, by continuing the declining cap trajectory for emissions, RGGI can play a vital role in helping the City meet its 80x50 goal, reducing greenhouse gas emissions in City-owned buildings by 35 percent by 2025, having 100 percent of the City's load served by renewable sources over the next ten years, and having the best air quality amongst all large U.S. cities.[6]

Accordingly, the City urges the RGGI States to build upon the success achieved to date by continuing, at minimum, greenhouse gas reductions of 2.5% per year through 2030. As some other

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[2] For example, New York's mass-based goal for 2030 and beyond is 31,257,429 tons under the CPP. Currently, under RGGI, New York's budget for 2020 and beyond is 30,435,778 tons, over 800,000 tons less than under the CPP.

[3] *See* Global Climate Leadership Memorandum of Understanding, *available at* http://under2mou.org/wp-content/uploads/2015/04/Under-2-MOU-English.pdf.

[4] One New York: The Plan for a Strong and Just City (issued April, 2015), p. 188, *available at* http://www.nyc.gov/html/onenyc/downloads/pdf/publications/OneNYC.pdf.

[5] *Id.*

[6] *Id.* at 174, 188; *see also* "De Blasio Administrations Moves to Power 100 Percent of City Government from Renewable Sources of Energy (July 10, 2015) *available at* http://www1.nyc.gov/office-of-the-mayor/news/478-15/de-blasio-administration-moves- power-100-percent-city-government-renewable-sources-of.

commenters have stated, continuing a 2.5 percent reduction in the RGGI cap year would increase emission savings by 23 percent.[7]

II. RGGI Should Explore Future Expansion to Other Sectors

As discussed above, RGGI has achieved significant success in reducing emissions from the electricity sector. The City supports the continuation of a declining emissions cap for this sector. However, in order to achieve larger greenhouse gas reductions consistent with the both City's climate reduction goals, as well as those of the RGGI States, the City urges RGGI to explore the expansion of the program to other high emitting sectors, in particular, the transportation sector.

The reduction of emissions in the transportation sector is a critical component to the achievement of long-term climate goals. Significantly, in November 2014, several RGGI States and the District of Columbia announced that they would work together to develop new policies to reduce transportation sector emissions of 32 to 40 percent from 2011 levels by 2030.[8] This initiative represents an important first step toward reducing emissions on an economy-wide basis. As such, the City urges RGGI to examine methods by which it can assist and facilitate further transportation emission reductions.

III. RGGI Should Maintain Flexibility Mechanisms

Several parties have recommended the retention of the cost containment reserve ("CCR"). For example, Calpine states that the CCR "was, and continues to be, an appropriate feature in RGGI." (Calpine Comments at 3.) Similarly, Emera Energy "views the CCR as an important cost relief mechanism" for both compliance entities and consumers. (Emera Energy at 2.) Conversely, some parties express concern that the CCR has the potential of effectively raising the emission cap thereby undermining program goals.

As discussed above, the City supports measures that continue to reduce the RGGI emissions cap to foster and facilitate efforts to more efficiently use energy and reduce greenhouse gas emissions. The City believes that RGGI can continue to be a key component towards meeting the goals of reducing greenhouse gas emissions and improving of air quality while maintaining electric service that is reliable and affordable to all.

Consistent with this position, RGGI should maintain complementary measures to provide relief in the event that unanticipated changes occur in the future that result in producing a scarcity

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[7] Any adjustment to the emissions cap also should analyze additional scenarios (*e.g.*, high load growth and high natural gas prices) and the potential impacts of such scenarios on projected emissions. Such additional scenarios are necessary to ensure any adjustments will not result in a scarcity of allowances.

[8] *See* Five Northeast States and DC Announce They Will Work Together to Develop Potential Market-Based Policies to Cut Greenhouse Gas Emissions from Transportation (Nov. 24, 2015), http://www.georgetownclimate.org/five-northeast-states-and-dc-announce-they-will-work-together-to-develop-potential-market-based-poli.

of allowances. The most efficient, transparent and least administratively burdensome measure to employ would be a firm price ceiling (*e.g.*, $15 per short ton), similar to the current auction reserve price.[9] Such a price ceiling would establish a price above which allowance prices could not rise. In addition, because such a price ceiling would not necessitate the release of additional emission allowances, such a mechanism would maintain the environmental integrity of the auction process.

In the alternative, the current CCR structure could be maintained at a higher trigger price. In order to ensure the availability of allowances for compliance entities, in conjunction with the CCR, market rules could be modified to limit the amount of allowances sold to non-compliance entities in any auction to 50% of the available allowances. This modification would provide an additional safeguard to ensure allowances are available to compliance entities, in particular those needed for reliability purposes.

IV. RGGI Should Pursue a Modified Clean Energy Incentive Program

The CPP incentivizes states to reduce emissions prior to 2022 through the Clean Energy Incentive Program ("CEIP"). The goal of the CEIP is to incentivize early investment in renewables and the installation of demand-side energy efficiency in low-income neighborhoods. Under the CEIP, states would award additional allowances in a mass-based program. A pool of federal allowances created by the EPA would match these state allowances. The EPA also proposes to offer two allowances for avoided generation by using demand side energy efficiency in low-income communities.

The City strongly supports increased investment of renewables and energy efficiency in low-income areas. There is a clear need to help the most disadvantaged individuals and households. Indeed, it is without dispute that barriers to low-income consumer participation are significant and in many cases discourage and/or effectively prevent low-income consumers from affirmatively managing their own electric usage and their energy bills. Because low income consumers tend to have a higher energy burden than other consumers, it is important that they have access to measures, such as those contemplated under the CEIP, that can reduce their energy costs. RGGI should not forego this opportunity to positively impact these communities.

In order to address the concern that the creation of additional federal allowances under the CEIP has the potential to inflate the overall emissions cap, RGGI could simply petition the EPA to retire its allocation of federal allowances. Instead, as recommended by Pace, a pool of allowances for these projects could be maintained by RGGI within its cap limits. Renewable energy or energy efficiency projects would then apply to RGGI to receive allowances from the pool based upon the completion of eligible projects. Under this approach, early-action renewable energy projects and demand-side energy efficiency in low-income neighborhoods could be rewarded in a manner consistent with the intent of the federal program while avoiding emission inflation.

[9] The recommended price ceiling value of $15 per short ton is double the highest allowance auction price to date. As with the current CCR trigger price, the price ceiling could increase by a certain percentage in future years.

V. **Any Expansion of RGGI Must Contain Safeguards**

As part of the program review, RGGI has requested stakeholder input regarding the potential for the expansion of RGGI and/or increasing trading partners. While the City is not opposed to the expansion of the RGGI market, such expansion must include protections to ensure the integrity of the emission market.

With respect to new RGGI members, participation must be fully consistent with the RGGI MOU and Model Rule. For example, the scope of compliance entities and budgets for the new states must be based on the same principles used to establish the budgets for the existing RGGI states. Moreover, new members must participate in the auctions, and be required to deploy auction revenues and to adopt complementary programs as directed in the MOU and Model Rule.

Any non-member trading partner must adhere to similar guidelines. In particular, trading partners should have programs of equal or greater stringency than RGGI including but not limited to: (i) application to comparable sources; (ii) participation in an auction process; (iii) comparable emission limits; and (iv) dedication of allowance value for customer benefit. The absence of these requirements upon potential trading partners could dilute the effectiveness of the RGGI program.

If you have any questions do not hesitate to contact me.

Respectfully submitted,

Anthony J. Fiore

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