October 23, 2024

From: RGGI Advocates Coalition

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Subject: Comments on the RGGI Third Program Review – Modeling and New State Participation

The undersigned organizations respectfully submit the following comments in response to the Program Review Updates published on September 23, 2024. We appreciate receiving a new timeline for this Program Review and continue to advocate for a strong and effective program.

1. Ambition Level of the Cap

We commend RGGI for advancing a cap trajectory that demonstrates higher levels of ambition, moving the program toward meaningful emissions reductions by 2037. However, we encourage RGGI Inc. to set a bolder interim target that aligns with EDF's modeling for an **80% reduction by 2030**. Currently, RGGI's projected cap level for 10 states in 2030 is approximately **45 million tons**, while EDF's modeling shows a stronger path forward with a cap of about **35.7 million tons by 2030**. This more ambitious cap trajectory would provide a critical benchmark for setting an updated cap that delivers on both environmental and public health objectives.

2. Cost Containment Reserve (CCR) and Emissions Containment Reserve (ECR)

The proposed changes to the CCR and ECR mechanisms are among the most consequential aspects of the review, as they have direct implications for the market's effectiveness and stability.

a. Limit the CCR Supply to 10% of the Annual Budget

As proposed, the size and number of CCR allowances could greatly weaken the cap by increasing the overall volume of allowances available, especially in the later years. To ensure the CCR aligns with the primary cap's intended reductions, we recommend that the CCR supply be limited to **stay at 10% of the annual cap**, rather than a fixed amount distributed annually. This limitation ensures that the CCR remains a tool for exceptional circumstances rather than becoming a mechanism to regularly weaken the cap.

This would mean that the CCR should not exceed a fixed percentage of the primary cap, converging on a target. This approach would create a more consistent downward trajectory, avoiding parallel paths that may detract from achieving our goals.

b. Raising the CCR Price

We recommend that the CCR price be raised to better align with the ambition of the updated cap trajectory. While the CCR serves as a critical tool for managing allowance price volatility, maintaining too low of a price for triggering the reserve may inadvertently weaken the integrity of the emissions cap by allowing more allowances to enter the market at a price that does not reflect the stringent cap targets.

c. Recommendation Regarding the Second CCR and Use of Revenues for Energy Burden Relief

We do not recommend the introduction of a second CCR, as this could further undermine the cap's effectiveness. However, should RGGI proceed with this option, we strongly advocate that any revenue generated from the sale of CCR allowances be directed towards energy efficiency, air quality, and energy burden relief in Disadvantaged, Environmental Justice (EJ), and Low-to-Moderate Income (DAC/EJ/LMI) households and communities. This approach would not only alleviate cost pressures but also promote equity by directly benefiting communities that are most vulnerable to both climate impacts and energy costs.

d. ECR Adjustments

The ECR is a great mechanism and should be adjusted to have a more significant role in the market. The modeling presented showed the ECR not having a role in the future. We recommend **increasing the ECR trigger price** and all states participating, including New Hampshire and Maine. Since allowance prices are not expected to fall to the ECR level, this program review could set a higher trigger price and make the ECR an important player.

3. Accommodating New States with Diverse Cap Trajectories

Bringing additional states into the RGGI fold is a critical step in strengthening regional climate action. However, we understand that the inclusion of new states presents both opportunities and challenges for RGGI. These states may negatively impact the program if they become net sellers of allowances. To mitigate this risk, we propose implementing a trigger if a new state is a net seller in the previous calendar year. This trigger could impose a limit on emission selling and create more market stability.

There may be scenarios where a state would like to join the program while implementing a different cap trajectory. We recommend exploring a mechanism that would adjust the allowance allocation to give proportionately more allowances to states meeting a more stringent cap, and proportionately less to states with a less stringent cap. This encourages states to be stringent and to meet the same cap, while ensuring consistency across the program. It also allows for flexibility and could be changed when and if a state enhances its climate policies and meets more ambitious standards.

4. Equity and Environmental Justice

The benefits of RGGI, from air quality improvements to job creation, must reach underserved and frontline communities. Implementing both data tracking of investments and a minimum requirement for proceeds allocation to environmental justice communities can ensure that. We recommend that the Third Program Review does not end without the acknowledgement of this task. For further details, see our comments from April 2023 and comments from October 2023 that go into greater detail on equity and environmental justice considerations. And for a deeper discussion and research, please refer to Acadia Center's RGGI Findings and Recommendations for the Third Program Review Report for maps and more detailed data.

Thank you for considering these recommendations, and we look forward to RGGI's continued progress as a national leader in emissions reduction.

Sincerely,

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