September 2023

TO: RGGI State Governors

RE: Business Leaders Comment on 2023 RGGI Program Review

Dear Governors,

As major businesses, investors, and employers in the Regional Greenhouse Gas Initiative (RGGI) states, we write today to thank you for your leadership and participation in this essential climate mitigation program. As you work on the next phase of RGGI, we urge you to consider of the following recommendations to make the program more effective and equitable as we face major needs and opportunities for elevating our climate ambition in the power sector in order to secure the reductions needed to meet the United States' Nationally Determined Contribution (NDC) of reducing economy-wide emissions by at least 50% to 52% below 2005 levels by 2030, as well as the critical need to continue to improve air quality across the region, particularly in low-income communities and communities of color. To that end, we encourage you to focus on updating the RGGI emissions cap to reflect elevated climate ambition, improving air quality, addressing environmental justice, and creating inclusive processes as you continue to work through the RGGI program review process.

Align RGGI Caps with Necessary Climate Ambition

There has never been a more opportune time to cut power sector emissions. The increasing costs of climate impacts are stark, with weather and climate disasters in the U.S. exceeding $100 billion in five of the last six years (2017-2022).[1] Meanwhile, the economic opportunities of climate action have never been greater. In 2021 and 2022, the U.S. Congress passed the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA), providing hundreds of billions of dollars to drive decarbonization. The single largest share of this investment – estimated to be 40% of the IRA's estimated $400 billion energy and climate funding, or $160 billion – will come through uncapped clean electricity tax incentives for technologies like wind, solar, energy storage, energy efficiency, geothermal, and others.[2] Together, these federal investments have substantially bought down the cost of decarbonizing the U.S. power sector. Moreover, the states that secure policies to drive power sector reductions will be those that benefit the most. Analysis by Synapse Energy Economics released in June by Evergreen Collaborative and Ceres demonstrates that Pennsylvania's participation in RGGI would generate nearly $1bn in additional federal IRA tax credits while saving the state $1.5bn in electricity costs by 2030.[3]

In addition to state-level investment opportunities via increased power sector reductions, we know that accelerating these reductions is critical to achieve economy-wide emissions targets, most notably the U.S. NDC. Several studies have demonstrated that cutting power sector emissions by at least 80% is critical to achieving these 2030 economy-wide targets. In addition, clean electricity is foundational to decarbonization of other sectors, such as transportation, buildings, and industry, through electrification.

We urge the RGGI states to support an updated RGGI cap consistent with the climate ambition needed to achieve the U.S. NDC and many RGGI states' own power sector and economy-wide targets by establishing an emissions cap trajectory that at least aligns with an 80% cut in emissions by 2030. Doing so will allow the RGGI program to continue to drive the region's thriving, clean energy economy forward, create new jobs across the region, and spur innovation in clean energy technology throughout the region.[4]

We also support reforming the cost containment reserve to raise the CCR trigger price while reducing the size of CCR allowances released into the market, only releasing them if the trigger price is met in consecutive auctions. Finally, we support lowering the compliance threshold from 25MW to 15MW while including the aggregated capacity of co-located units.

Since 2009, RGGI has cut electricity-sector climate pollution by 46% while raising $3.8 billion in revenue for investment in a range of energy efficiency, clean energy, and pollution reduction programs. Our support for RGGI is reflective of the reality that climate action is one of the greatest economic opportunities of the 21st century and can continue to drive emissions reductions and economic prosperity.

Incorporate input from environmental justice communities and EJ advisory groups

Communities on the frontlines of the climate crisis and polluting facilities must be at the center of our efforts to address climate change. We recommend that RGGI adopt more inclusive processes by which state and regional RGGI leaders engage early and often with environmental justice and frontline communities as was requested by a coalition of EJ groups during the third program review.[5] Providing a transparent platform for community members to share their perspectives and ensure that their needs are reflected in RGGI's updated model rule is critical to achieving equitable outcomes and to ensuring the program improves and expands on its success to date.

Air quality monitoring

The RGGI program has had a significant and positive impact on reducing not only carbon dioxide emissions, but also harmful air pollutants such as SO2 and NOx. This improves air quality and ultimately health outcomes. However, previous analyses have indicated that these benefits have not been shared equality across all communities, with sustained poor air quality notably harming marginalized communities. To improve equitable health outcomes achieved via the RGGI program, we recommend much more robust analysis into pollution hot spots that disproportionally impact environmental justice (EJ) communities and that RGGI states take targeted measures to mitigate these impacts. This should include implementing an air quality proximity analysis of every regulated power producer in RGGI, considering emissions data, pollution transport modeling, and economic analysis to understand and respond to realities faced by communities on the ground. Proximity analysis should provide critical information on the pollutants released by each facility and their proximity to vulnerable communities to spur additional action to reduce air pollution. Promoting air quality in overburdened communities helps states achieve public health, environmental, and economic benefits, significantly reducing healthcare costs and workdays lost due to pollution-related illness.

Invest at least 40% of revenues in EJ communities

As we move towards a cleaner energy future, we must ensure that the benefits of this transition are shared equitably. For example, New York's Climate Leadership and Community Protection Act (CLCPA) requires at least 35% of the benefits of the law – with a goal of 40% – are directed to disadvantaged communities[6], while the Biden Administration's Justice40 Initiative is designed to deliver at least 40% of all climate, clean energy, and other environmental benefits to disadvantaged communities.[7] We recommend that all RGGI states follow suit by investing no less than 40-50% of its revenues in these communities. In addition to supporting investment in historically marginalized and under-resourced communities to create jobs and improve health outcomes in disadvantaged communities, this could encourage state- and region-wide climate resilience.

We are grateful for your continued leadership through your states' participation in RGGI. We believe that these recommendations are critical to ensuring that RGGI continues to lead the way in addressing climate change, promoting economic security, and prioritizing the needs of vulnerable communities.

Thank you for your consideration, and we look forward to working together to build a more just and sustainable future.

Sincerely,

Autodesk, Inc
Ben & Jerry's
Char Magaro Designs
Danone North America
DSM Firmenich North America
Franklin Energy
Good Start Packaging
Habitus Incorporated
Haverford College
Miller/Howard Investments, Inc.
New Balance
New Jersey Sustainable Business Council
New York City Office of the Comptroller
Oaktree Development
Sonen Capital
Steve Harvey Law, LLC
Studio G Architects
Sunowner Inc.
Sustainable Advisors Alliance LLC
The Green Engineer, Inc
The Stella Group, Ltd.
TripZero
Unilever United States
Zevin Asset Management

For more information, contact Nick Egelhoff, negelhoff@ceres.org

This letter was organized by Ceres
Sustainability is the bottom line.