

Comments on The Regional Greenhouse Gas Initiative, 3rd Program Review – response to the Program Review considerations and results of the electricity sector analysis public presentation on September 26, 2023.

Comments submitted on behalf of The Nature Conservancy in Rhode Island, Connecticut, Virginia, Maine, New Hampshire, Pennsylvania, New York, and New Jersey. Thank you for the opportunity to present comments in the interests of The Nature Conservancy (TNC) regarding the Regional Greenhouse Gas Initiative (RGGI) program review components.

TNC's lead scientists have identified climate change as the greatest long-term threat to our conservation mission—to protect the lands and waters in which all life depends. Climate change is already affecting our lives and the places we live and will dramatically impact the lives of future generations. Limiting emissions of greenhouse gasses is urgently needed to avoid triggering the most severe impacts of sea-level rise, weather disturbances, and habitat loss, while adapting to a climate-changed world is a near-term imperative. To this end, TNC is committed to promoting actions and policy that reduce greenhouse gas (GHG) emissions while also increasing the reliability and security of our energy grid.

The Regional Greenhouse Gas Initiative (RGGI) was the first multi-state carbon cap and invest program in the U.S., designed to reduce emissions from the electric sector. Over the last 14 years it has generated over \$6.2 billion in proceeds for participating states. We believe that RGGI is an important tool Northeast and Mid-Atlantic states are using to significantly reduce carbon emissions and increase energy efficiency investments for homeowners, businesses, and local governments, and **we have strongly supported RGGI goals and actions** in previous^{1,2} program reviews. We continue to support this program and applaud efforts by RGGI Inc and the participating states to promote a net-zero carbon target in the electric sector by 2040. Such efforts are critical to helping limit global warming to under 2°C.

With regards to the September 26 presentation and supporting materials, we would like to submit our comments and concerns on these elements of the overall program and the 3rd program review:

1. Eligible generators
2. Carbon capture and offsets program
3. Compliance period
4. Environmental Justice

Eligible Generators

For participating RGGI states, any fossil-fuel-fired electric power generator with a capacity of 25 MW or greater is eligible to participate in this program. However, there is considerable flexibility in determining eligibility. For example, in the RGGI model rule there is language that allows exemption for facilities comprised of multiple turbines/units that individually do not meet the 25 MW threshold. This loophole allows large facilities with many generating units to not participate despite overall generating capacity of the plant to be much greater than the 25 MW capacity threshold. We recommend that this program review

¹ The Nature Conservancy's letter of support regarding program design, 2005, https://www.rggi.org/sites/default/files/Uploads/Design-Archive/Stakeholder-Comments/tnc_comments_9_19_05.pdf

² The Nature Conservancy support and comments regarding the 2nd Program Review, 2017, https://www.rggi.org/sites/default/files/Uploads/Program-Review/6-27-2017/Comments/The_Nature_Conservancy_Comments.pdf

close that loophole and use total power plant capacity rather than units within a plant for eligibility criteria.

We also recommend that RGGI lower the threshold for participation from nameplate capacity of 25 MW (15 in NY) to 10 MW to regulate a wider range of polluting facilities. The significance of the 25 MW limit is not clear and there have been many comments through current and previous program reviews that have expressed concern over this threshold. By lowering the threshold, power peaking plants (“peakers”), which are often sited in urban areas within LMI communities, can be better incorporated into participation. Peakers typically emit far more localized pollution such as small particulates (PM_{2.5}), NO_x, and sulfur dioxide (SO₂) per MWh than baseload plants because their fuels are often dirtier; they have less pollution controls; and they are less efficient³. Moreover, reliance on peakers cost ratepayers, as peaker energy costs are as much as 1,300% more than the baseload, which impacts those communities already overburdened with high electric rates. If the goal of the RGGI program is to achieve net-zero emissions from the electric sector with an emphasis on environmental justice and equity, peakers must be included. We recognize the Reliability Must Run (RMR) agreements may conflict with this recommendation but with rapid implementation of distributed energy resources across participating states, we believe lowering the threshold will not cause reliability concerns in respective RTO/ISO regions.

Carbon Capture and Offsets

We have concerns about how recent rule changes made by the Environmental Protection Agency (EPA) concerning emissions from fossil fuel plants will affect RGGI emission allowances and caps. The EPA is proposing Clean Air Act emission limits and guidelines for carbon dioxide (CO₂) from fossil fuel-fired power plants based on cost-effective and available control technologies, namely carbon capture and storage (CCS) technologies⁴. The EPA’s proposed best system of emission reduction (BSER) could have the potential to reduce carbon emissions from eligible generators starting in 2030, but not necessarily other pollutants released from fossil fuel combustion that affect nearby communities. TNC recognizes that CCS technologies are a crucial part of the effort to achieve global net zero emissions, and we would request additional modeling of such rules to better understand CCS impacts to the RGGI program and affected communities.

TNC believes that the RGGI program could better utilize potential offset projects from natural climate solutions, helping achieve net-zero emissions while better valuing our natural environment on the pathway towards a clean economy. TNC has more than 20 years of experience pioneering best practices for natural climate solutions and carbon projects around the world⁵. We are committed to supporting high-quality carbon credits and offset projects that fight climate change, conserve natural ecosystems, and provide equitable benefits to Indigenous, local, and urban communities.

Compliance Period for Participating Generators

³ Clean Energy Group 2022 report: The Peaker Problem; Report outlines issues regarding emissions, cost, and environmental justice, <https://www.cleangroup.org/wp-content/uploads/The-Peaker-Problem.pdf>

⁴ EPA Greenhouse Gas Standards and Guidelines for Fossil Fuel-Fired Power Plants Proposed Rule, May 2023 Fact sheet: <https://www.epa.gov/system/files/documents/2023-05/FS-OVERVIEW-GHG-for%20Power%20Plants%20FINAL%20CLEAN.pdf>

⁵ The Nature Conservancy’s Carbon Markets page showcases our carbon markets and offsets work: <https://www.nature.org/en-us/what-we-do/our-priorities/tackle-climate-change/climate-change-stories/carbon-market-credits-offsets/>

There is considerable flexibility in allowance compliance for participating entities, and we would recommend that this program review consider adjusting the compliance period language towards annual compliance. Annual compliance criteria would better account for annual fluctuations and market conditions in energy production, as well as create better stability in allowance prices and funding programs. Currently, compliance is evaluated at the end of each three-year control period by RGGI Inc through their CO₂ Allowance Tracking System (COATS), with fines levied by participating states on facilities for non-compliance. RGGI states also have an interim control period compliance requirement, which requires each participating facility to hold allowances equal to 50 percent of their emissions by the end of the 2nd year of the compliance period. Such flexibility allows for secondary allowance markets to benefit from compliance requirements, but these benefits did not extend to participating states. During the RGGI September 26 public meeting, this was a topic supported by the RGGI states, and they concluded that the benefits of implementing annual compliance outweigh any loss of flexibility.

Environmental Justice Considerations

We respect state discretion on how RGGI proceeds are spent but we recommend that at the program level RGGI Inc:

1. Increase funding for emission monitoring programs to install monitors for more participating generators. Participating generators are required to hold allowances equal to their CO₂ emissions, as determined by the EPA's Clean Air Markets Program (CAMP) monitors or a calculation of heat rate and fuel consumption. However, over two-thirds of RGGI plants do not have any active air quality monitoring sites within a 3-mile radius, and miscalculation of emissions based on available data make accurate representation of actual emissions difficult. A majority of unmonitored plants are located near an EPA Environmental Justice (EJ) community and/or high asthma community. As noted by others⁶, 41% of the census tracts in the RGGI region are classified as EPA EJ Communities, but 81% of participating generators are located within 3 miles of these communities. Additionally, although only 11.5% of all census tracts in the region are considered high asthma communities, 37.5% of all RGGI plants were located within 3 miles of a high asthma community. This glaring inequity has often cast the RGGI program in a negative light. By expanding the monitoring network, EJ and low- or moderate-income (LMI) communities can better advocate for RGGI proceeds to combat the negative effects fossil fuel-fired plants have had on their communities for decades.
2. Promote/develop a public-facing program dashboard that is accessible and understandable to the public on proceeds, benefits, emissions (particularly NO_x), and generator locations. Such a dashboard should be updated regularly (daily, weekly, monthly) with data, auction results, studies, reports, as well as projects underway from allowance proceeds. This dashboard should also consider and address concerns from EJ, LMI and/or marginalized communities who have long-suffered a disproportionate burden of pollution from the electric sector. There is considerable movement of such efforts and in an attempt to increase transparency regarding CO₂ emissions changes within the RGGI states at the local level, the RGGI states have developed an interactive emissions mapping tool⁷, which displays CO₂ emissions from RGGI-covered facilities

⁶ Acadia Center's Findings and Recommendations on RGGI's 3rd Program Review:
https://acadiacenter.wpenginepowered.com/wp-content/uploads/2023/04/AC_RGGI_2023_Layout_R6.pdf

⁷ Draft RGGI Emission Dashboard released in 2023:
<https://rggi.maps.arcgis.com/apps/dashboards/f64d40fa7a174240a23fbb9cf6021f0b>



since the start of RGGI. Widespread adoption and promotion of such a tool would be highly beneficial to concerned and affected communities.

Thank you for the opportunity to submit these comments on the RGGI program review. We are proud to be a part of this process and to support the continued leadership of the RGGI states in reducing the impacts of climate change.