

May 6, 2016

**Re: April 29, 2016 RGGI Stakeholder Meeting: Request for Stakeholder Comment**

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to provide comments on the April 29, 2016 Regional Greenhouse Gas Initiative (RGGI) Stakeholder Meeting. PG&E strongly supports market-based mechanisms to reduce greenhouse gas (GHG) emissions, and, in particular, efforts to broaden such programs to increase flexibility and manage costs. PG&E is pleased to participate in RGGI's thorough and inclusive stakeholder process to collaborate in crafting a successful, cost-effective climate program.

Should the RGGI states consider allowing trading with states that do not become participants in the RGGI program?

Yes, RGGI states should consider allowing trading with states that do not become RGGI program participants. In particular, PG&E encourages RGGI states to support programmatic changes to their regional carbon market in order to qualify as a "trading-ready" program under the Clean Power Plan (CPP). Last year, PG&E conducted an initial modeling analysis with ICF Consulting using its Integrated Planning Model (IPM) to explore potential CPP compliance approaches.<sup>1</sup> The analysis finds that broadening the scope of allowance trading under the CPP significantly reduces electric system costs in the Western Electricity Coordinating Council (WECC) region. Subsequent analysis by M.J. Bradley & Associates also indicates that national electric system costs are lower when the scope of allowance trading broadens from intra-state to national.<sup>2</sup>

PG&E has also encouraged the California Air Resources Board (CARB) to pursue a trading-ready approach for its CPP implementation plan.<sup>3</sup> We see linking to trading systems that develop for CPP compliance as integral to achieving California's and EPA's emission reduction goals in the most affordable and sustainable manner. We also see this approach as consistent with the environmental goals of the CPP; states can design their programs (e.g., establishing binding emission budgets) such that overall emissions will not increase due to allowance trading.

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<sup>1</sup> See Exploring Potential Impacts of 111(d) on the WECC. PG&E presentation at CNEE 9/10/2015 workshop: [http://www.westernstate111dplans.com/wp-content/uploads/2014/07/PGE\\_Exploring-Potential-Impacts-of-111d-on-the-WECC1.pdf](http://www.westernstate111dplans.com/wp-content/uploads/2014/07/PGE_Exploring-Potential-Impacts-of-111d-on-the-WECC1.pdf)

<sup>2</sup> <http://www.mjbradley.com/reports/modeling-analysis-epas-clean-power-plan>

<sup>3</sup> <http://www.arb.ca.gov/lists/com-attach/27-mrr-cpp-ct-amend-ws-UiJWN1A0AAxVMFM8.pdf>

The RGGI states still anticipate complying with the Clean Power Plan (CPP) using a mass-based emissions standards approach. When considering whether to trade with non-RGGI states, what program design features and other conditions, at a minimum, should be aligned with RGGI program elements in order for RGGI states to be able to trade with those other states?

As it has with CARB, PG&E encourages RGGI administrators to work with EPA to ensure that there is a clear pathway for RGGI states to qualify as trading ready under the CPP. We recognize that several technical issues, such as differences in compliance instruments and tracking systems, could raise barriers to RGGI's participation in a broader trading program. However, the technical issues do not appear insurmountable. We encourage CARB, RGGI, and EPA to work together to resolve technical issues that could prohibit any state from participating in broad allowance trading programs.

PG&E supports EPA's efforts to set adequately stringent trading-ready standards that strike a balance between broadening the market and minimizing leakage risks. Design features beyond those set by EPA should not serve as preconditions to linking programs under the CPP. However, we consider program design features, such as the inclusion of new sources, a floor price, and recirculating unsold allowances back into the market available when prices rise above the floor as best practices that we have supported in California's Cap-and-Trade program.

PG&E believes that the best indicator of leadership in combatting climate change is the proliferation of partner jurisdictions in GHG-reduction programs. Linking the RGGI market with California's Cap-and-Trade program through the EPA's CPP would certainly demonstrate leadership on the pressing issue of climate change.

To this end, PG&E recommends RGGI states focus on the opportunities to join forces with like-minded states and jurisdictions across the country (under the CPP) and around the world (under the COP 21 Paris Agreement).

Sincerely,

/s/

Claire Halbrook

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