July 11, 2017

Andrew McKeon, Executive Director
RGGI, Inc.
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Dear Director McKeon,

Advanced Energy Economy Institute (AEE Institute), the Alliance for Clean Energy New York (ACE NY), and the Northeast Clean Energy Council (NECEC) jointly thank RGGI Inc. and the participating RGGI states for the opportunity to provide feedback on the 2016/2017 Program Review of the Regional Greenhouse Gas Initiative (RGGI) following the June 27, 2017, stakeholder meeting in New York City. We appreciate the leadership of RGGI in creating a stable policy environment for advanced energy technologies and solutions to flourish, and for conducting an open and transparent process for all interested stakeholders. In addition to these comments, we support and endorse the letter being submitted by the environmental coalition.

The mission of AEE Institute, the charitable and educational organization affiliated with Advanced Energy Economy (AEE), is to raise awareness of the public benefits and opportunities of advanced energy. The Alliance for Clean Energy New York's mission is to promote the use of clean, renewable electricity technologies and energy efficiency in New York State, in order to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution. NECEC is a clean energy business, policy and innovation organization whose mission is to create a world-class clean energy hub in the northeast U.S., delivering global impact with economic, energy, and environmental solutions. Our organizations work with clean energy companies across the northeast to provide the technologies and services that the RGGI states rely on to provide clean, secure, and affordable electricity.

As we have expressed in past comments, RGGI has helped grow a robust advanced energy industry in the nine participating northeastern states. The program has delivered ratepayer savings while driving economic development in the power sector through technologies and services such as energy efficiency, demand response, wind, solar, energy storage, and hydropower. RGGI is working well for our business members, and they see the benefits of the program everyday, both in the impact on emissions and competitiveness for clean energy and in the availability of reinvested funding for energy efficiency, renewables, and other clean energy development. To ensure that RGGI continues providing these benefits, it is essential that participating states use the 2016/2017 program review to chart an ambitious path forward for the region, one that will drive market participation and deliver strong auction results.

Our organizations appreciate the work that RGGI has performed to date, including the recent modeling conducted for policy scenarios and the consideration of additional program design elements. We are encouraged that the participating states are considering packages of policies that, in the aggregate, may approach an emissions stringency in line with a 5% annual cap decline. Nevertheless, we renew our call for RGGI states to strive for the most ambitious overall package of program design elements. Endeavoring for greater stringency will ensure not only that our states remain on a trajectory to meet and surpass their collective climate goals, but also that RGGI can become an even more important pillar of the clean energy economy our member companies are building in the northeast and mid-Atlantic.

Policy Scenarios

Among the program design elements under consideration, it is critical that the RGGI states adopt an ambitious trajectory for the program's annual emissions cap. Such a cap should include an adjustment in 2019 to reflect current emissions trends, as considered in Scenario #3, and continued annual reductions through 2030 in line with the most ambitious scenarios modeled thus far in Scenario #2. The combination of an early cap correction in 2019 and annual cap reductions at least as ambitious as 3.5% per year will be crucial to secure the benefits of reduced emissions and ensure RGGI's continued success, all at what recent modeling has found will be minimal incremental costs to consumers. Indeed, we continue to encourage the states to consider an even more ambitious cap reduction of 5% per year, which could lead to even greater benefits and help the states cost effectively achieve their interim emission-reduction targets.

On the other end of the spectrum, our organizations do not believe that the states should continue to consider the least ambitious scenario – Scenario #1, a 2.5% per year reduction – included in the most recent modeling. At such a rate of decline, it is highly unlikely that RGGI states will be adequately positioned to meet their long-term emission reduction targets and important interim benchmarks. Policy Scenario #1 more closely resembles a continuation of the region's present-day trajectory, and as such will be unable to accelerate progress towards these goals. Coupled with the dramatically lower costs projected for more stringent policy scenarios in recent modeling, it will be possible for RGGI to generate greater environmental impacts through more ambitious policy goals at current cost levels. States should be emboldened to strive for greater levels of stringency with confidence that more ambitious goals will deliver robust benefits to the region. We therefore recommend that Scenario 1 not be considered by RGGI in favor of more ambitious emissions reduction policies.

Additional Program Design Elements

In tandem with their consideration and pursuit of ambitious cap scenarios, states should look to several additional elements of the program's design as pathways towards increased emission reductions and greater overall stringency. We recommend that the participating states consider and adopt the following program design priorities.

I. *Conduct a full adjustment for banked allowances*: Performing a full adjustment for banked allowances is the most sensible policy to counteract the impacts of continued allowance oversupply. In the past, the gradual elimination of banked allowances proved successful in addressing market oversupply while preserving the value of investments in RGGI allowances. Should the cost of maintaining an allowance buffer ever become so high that an unreasonable burden is placed on ratepayers, additional allowances could be made available from the Cost Containment Reserve.

II. *Implement an ECR for maximum low-cost emissions reductions*: The Emissions Containment Reserve (ECR) is an innovative mechanism to strengthen and advance market functioning within RGGI. When RGGI allowance prices are low, a well-designed ECR will allow states to achieve greater emissions reductions and meet their climate goals without burdening consumers. These climate/emissions goals should determine the size of the ECR, likely in the realm of 15 million allowances per year. Any allowances withheld from the market due to the triggering of the ECR should be permanently retired.

III. *Increase price triggers and tie allowances to auctions in any retained CCR*: RGGI's current CCR unfortunately represents a threat to the climate goals of the region as an outlet for extra allowances to emit carbon above the emissions cap. We support the elimination or reform of the CCR to address the deficiencies that have led to its improper triggering in recent years. Should the CCR be retained, possible solutions could include sourcing CCR allowances from beneath the RGGI cap; elevating price triggers to make the CCR more difficult to initiate; and simply reducing the size of the CCR. We also support the usage of auction-specific CCR allowance quantities, rather than allowing one year's worth of CCR allowances to be purchased at a single auction.

IV. *Raise the Reserve Price to provide a more robust price signal*: The RGGI reserve price should be boosted significantly. In prior periods of low demand, the reserve price has played a vital role in providing a foundation both for the value for RGGI allowances and for states' ability to reinvest a baseline of revenues in clean energy and energy efficiency. At the current 2.5% annual increase, however, the reserve price now falls woefully short of providing an adequate price signal to the market. If an ECR is established, the reserve price should be increased to at least $3.00 and rise annually by 5% plus the rate of inflation.

Market Expansion

Our organizations wholeheartedly support the states' exploration of opportunities to expand the RGGI trading market into neighboring jurisdictions such as Virginia, New Jersey, and other states that may be considering joining RGGI in the near future. Our organizations support and endorse the specific recommendations offered by the environmental coalition in this comment period.

Conclusion

AEEI, ACE NY, and NECEC again thank RGGI Inc. and the participating RGGI states for the opportunity to submit these comments. We firmly believe that doubling down on RGGI goals will accelerate the progress we have achieved to date and set the program up for success well into the future. AEEI, ACE NY, and NECEC look forward to continued engagement with the RGGI states as the program review process approaches its final phase. Thank you for your consideration.

Sincerely,

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NECEC

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