

**VIA ELECTRONIC MAIL**

**November 12, 2018**

Director Janet Coit  
Rhode Island Department of Environmental Management  
235 Promenade Street  
Providence, RI 02908

Dear Director Coit:

The organizations listed below respectfully submit the following comments in response to the proposed amendments to Rhode Island's Regional Greenhouse Gas Initiative (RGGI) regulations, as discussed at the public hearing held by the Rhode Island Department of Environmental Management (DEM) on October 25<sup>th</sup>.

These comments are submitted in support of proposed DEM amendments 250-RICR-120-05-46 and 250-RICR-120-05-47. We commend Rhode Island for the proposed changes to strengthen the RGGI program, including future cap reductions, a commitment to a third adjustment for banked allowances, and implementation of an Emissions Containment Reserve. The expeditious adoption of these proposed changes will help Rhode Island achieve its emissions reduction goals.

Beyond the proposed changes, we urge DEM to consider additional measures to further strengthen RGGI and protect Rhode Island residents. These measures include steps to ensure that frontline and environmental justice communities benefit from RGGI-funded energy efficiency programs and ensuring that eligible biomass facilities are truly sustainable.

### **Support for Proposed Changes**

#### **RGGI cap reduction**

We commend Rhode Island for extending the RGGI cap through 2030 and for accelerating the cap decline. Rhode Island and the rest of the RGGI states have shown that the region can rapidly reduce electric sector emissions while driving economic growth, and we greatly appreciate the continued commitment to those goals. Compared to the reference case, the proposed changes to the RGGI program will result in 152 million fewer tons of CO<sub>2</sub> emitted by the region's power plants.<sup>1</sup>

We also commend Rhode Island for agreeing to a larger step-down in the cap from 2020 to 2021. This decision effectively addresses the difference between a fixed cap decline and an annually diminishing cap decline from 2014 to 2020.

#### **Third adjustment for banked allowances**

Rhode Island and the rest of the RGGI states have demonstrated an admirable willingness to

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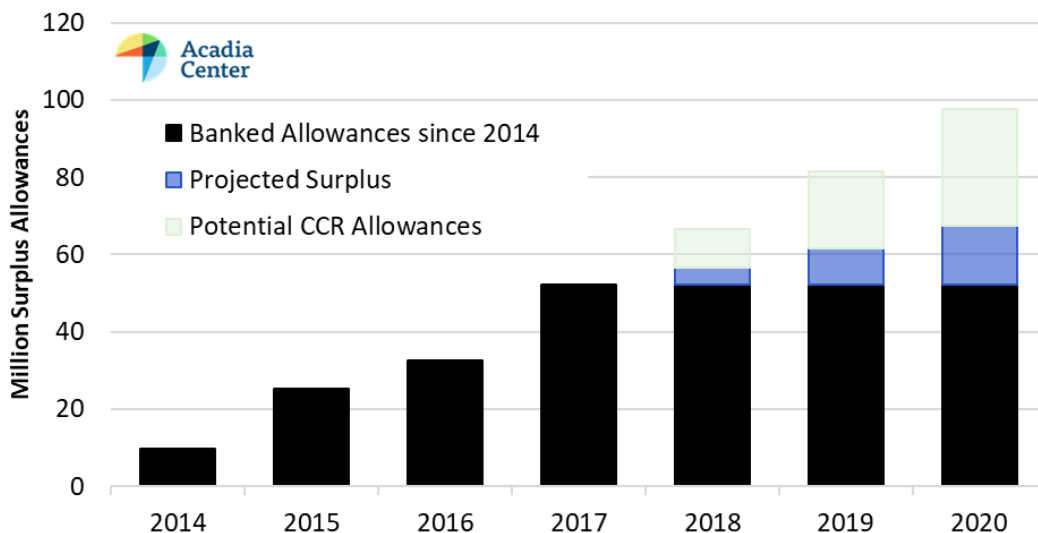
<sup>1</sup> ICF International, "DRAFT 2017 Model Rule Policy Scenario Overview" (Sep. 25, 2017), available at [https://www.rggi.org/docs/ProgramReview/2017/09-25-17/Draft\\_IPM\\_Model\\_Rule\\_Results\\_Overview\\_09\\_25\\_17.pdf](https://www.rggi.org/docs/ProgramReview/2017/09-25-17/Draft_IPM_Model_Rule_Results_Overview_09_25_17.pdf).

innovate in order to improve the program. During the 2012 Program Review, the RGGI states devised and implemented the novel practice of adjustments for banked allowances as a solution to the program’s allowance oversupply problem. This solution elegantly addresses the undesirable impacts of an oversupplied market (e.g. decreased incentive to pursue additional emissions reductions, potential to undermine the program’s future environmental performance), while preserving the value of investments for entities that had already purchased RGGI allowances.

A new allowance surplus has accumulated since the previous rounds of allowance adjustments, and we are pleased to see that the RGGI states will conduct another adjustment in 2021. These adjustments, which are carried out over a number of years (five in this case), are sufficiently gradual to avoid shocking the market.

As shown in Figure 1, the surplus accumulated from 2014 through 2017 is 52 million allowances, projected to rise to 67 million by 2020.<sup>2</sup>

**Figure 1: Current and Projected Allowance Surplus**



### Emissions containment reserve

We strongly support the states’ inclusion of an ECR that will automatically capture additional low-cost emissions reduction opportunities when they are available. Throughout RGGI’s history, reducing emissions has consistently been cheaper than anticipated. While this has helped reduce compliance costs, it has also represented a missed opportunity to increase RGGI’s ambition. Leaving low-cost reductions on the table is problematic given the urgent need to cut greenhouse gas emissions further and faster to avoid the worst effects of climate change. As noted by

<sup>2</sup> Allowance surplus calculated with emissions and auction data from RGGI, Inc.

Resources for the Future, the ECR will, for the first time, provide a mechanism in RGGI to share the benefits of cheaper reductions between the economy and the environment.<sup>3</sup>

We commend Rhode Island for implementing this innovative new mechanism and look forward to further discussions and analyses to ensure the ECR works as intended. In future program reviews, we recommend also exploring larger ECR sizes to potentially capture additional benefits. We also hope that Rhode Island will work with other current and prospective RGGI states—namely Maine, New Hampshire, New Jersey and Virginia—to ensure consistent ECR implementation and participation across the entire RGGI market.

### **Projected impacts from RGGI reforms**

In addition to the 152 million tons of CO<sub>2</sub> emissions that will be avoided as a result of the proposed changes,<sup>4</sup> the region is projected to experience the following impacts, relative to the reference case:

- \$1.28 billion in health benefits from reduced SO<sub>2</sub> and NO<sub>x</sub> emissions;<sup>5</sup>
- The net addition of 34,397 job years;<sup>6</sup> and
- \$2.79 billion in net economic benefit.<sup>7</sup>

## Additional Measures to Strengthen RGGI

### **Equitable Benefits from RGGI Reinvestment**

We request that additional time and resources be invested in the programs that are supported by RGGI to ensure that frontline and environmental justice communities benefit at the same rate as whiter, wealthier communities. While Rhode Island is ranked #3 in energy efficiency,<sup>8</sup> we believe that RGGI-funded energy efficiency programs in the state can be improved to better serve low- to moderate-income consumers, renters, communities of color, and people whose first language is not English. This can be accomplished by: (1) mandating adequate tracking, disclosure, and evaluation of performance data; (2) increasing the scope of programs for and marketing to low- to moderate-income customers; (3) modifying performance incentives that are directly tied to both expanded data and increases in program goals; and (4) allocating more funds

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<sup>3</sup> *Expanding the Toolkit: The Potential Role for an Emissions Containment Reserve in RGGI*, Resources for the Future (Aug. 2017), available at [http://www.rff.org/files/document/file/RFF-Rpt-RGGI\\_ECR.pdf](http://www.rff.org/files/document/file/RFF-Rpt-RGGI_ECR.pdf).

<sup>4</sup> *Stronger RGGI Cuts Projected to Be Achieved at Low Cost*, Bruce Ho, NRDC, (Sep 2017), available at <https://www.nrdc.org/experts/bruce-ho/stronger-rggi-cuts-projected-be-achieved-low-cost>.

<sup>5</sup> *Outpacing the Nation: RGGI's Environmental and Economic Success*, Jordan Stutt, Acadia Center, (Sep 2017), available at [http://acadiacenter.org/wp-content/uploads/2017/09/Acadia-Center\\_RGGI-Report\\_Outpacing-the-Nation.pdf](http://acadiacenter.org/wp-content/uploads/2017/09/Acadia-Center_RGGI-Report_Outpacing-the-Nation.pdf).

<sup>6</sup> ICF, RGGI Program Review: REMI Modeling Results (Dec. 2017), at Slide 15. Available at: [https://www.rggi.org/sites/default/files/Uploads/Program-Review/12-19-2017/REMI\\_2017\\_12\\_19.pdf](https://www.rggi.org/sites/default/files/Uploads/Program-Review/12-19-2017/REMI_2017_12_19.pdf).

<sup>7</sup> *Ibid.*

<sup>8</sup> *State Scorecard Rank*, American Council for an Energy-Efficient Economy (2018), available at: <https://database.aceee.org/state-scorecard-rank>.

for moderate- and low-income energy efficiency programs under forthcoming RGGI auction proceed distribution plans.<sup>9</sup>

### **Ensuring Bioenergy Sustainability**

We commend Rhode Island for looking to other states to identify best practices in the treatment of biomass energy. Specifically, the proposed amendments would adopt the New York State RPS Biomass Guidebook for fuel sampling protocols. We encourage DEM to also adopt NY's policy DAR-12 for determining whether particular sources of woody biomass fuels are "sustainably harvested" for purposes of being considered "eligible biomass" under the state's RGGI regulations.<sup>10</sup>

Thank you for your continued leadership to strengthen the RGGI program.

Respectfully submitted,

Acadia Center  
Conservation Law Foundation  
Partnership for Policy Integrity  
Toxics Action Center

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<sup>9</sup> *2018-B Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds*, Rhode Island Office of Energy Resources (Aug 2018), available at <http://www.energy.ri.gov/documents/rggi/2018%20Plan%20Items/2018-B%20Final%20RGGI%20Allocation%20Plan%208-30-2018.pdf>.

<sup>10</sup> Policy DAR-12: Sustainable Harvested Biomass, New York State Department of Environmental Conservation (Dec 2010), available at <https://www.dec.ny.gov/energy/65141.html>.