

TO: NYSERDA
FROM: Northeast Regional Greenhouse Gas Coalition¹
DATE: December 1, 2008
RE: **GHG Coalition Comments on NYSERDA's RGGI Auction Revenue Concept Paper**

Introduction

This memo provides the Northeast Regional Greenhouse Gas Coalition's (GHG Coalition's) comments on New York State Energy Research & Development Authority's (NYSERDA's) Concept Paper, which establishes a foundation for programs to be funded with RGGI auction proceeds in New York under the CO₂ Budget Trading Program and the CO₂ Allowance Auction Program.

The GHG Coalition members have participated as official stakeholders to the RGGI process since its inception, participating in every RGGI meeting and workshop and submitting consensus recommendations throughout the entire process. See <http://www.ghgcoalition.com/resources.htm> for comments submitted on the RGGI process to date.

The GHG Coalition's comments on NYSERDA's Concept Paper focus on the following:

- NYSERDA's Advisory Group;
- Program Goals, Focus, and Funding Criteria;
- Residential, Commercial, and Industrial Initiatives;
- Electric Power Supply and Delivery Initiative;
- Transportation and Other Initiatives; and
- Program Evaluation and Reporting.

Advisory Group

The GHG Coalition appreciates that NYSERDA has made New York State the first RGGI state to allow for public comment on the distribution of auction revenues. The GHG Coalition looks forward to an open and transparent process for determining how RGGI auction proceeds will be distributed. Public meetings of the Advisory Group provide important opportunities for stakeholders to stay updated on the status of the distribution of proceeds and the success of the various initiatives that are receiving funding. However, the GHG Coalition believes that the Advisory Group should include more significant representation from the electric sector given that all of the auction proceeds come from that sector.

¹ The GHG Coalition members are: Calpine Corporation; Conectiv Energy; Consolidated Edison, Inc.; Constellation Energy; Dominion Energy New England; Public Service Enterprise Group Inc.; Valero Energy; and Waste Management, Inc.

Program Goals, Focus, and Funding Criteria

While the GHG Coalition understands that economic conditions may dictate otherwise, NYSERDA should attempt to use RGGI revenues to fund new or expanded programs, such as the Energy Efficiency Portfolio Standard (EEPS) or Renewable Portfolio Standard (RPS), rather than simply shifting funding for existing initiatives. NYSERDA should also consider distributing funds proportionally to geographic regions based on how they are affected by the program.

Residential, Commercial, and Industrial Initiatives

Electric efficiency programs in the residential, commercial, and industrial sectors remain an important area of investment in order to reduce emissions and can provide the greatest benefits for consumers. While energy efficiency programs receive funding from other sources, NYSERDA should ensure that current electric efficiency initiatives are adequately funded and consider expanding programs that have been especially successful. The GHG Coalition believes that NYSERDA should provide additional funding for end-use efficiency programs rather than distributing revenues to sectors unrelated to electricity consumption.

Electric Power Supply and Delivery Initiative

Investing in electric supply and delivery is essential for achieving GHG emissions reductions from the electric power sector, the intended focus of RGGI. The GHG Coalition supports many of the potential areas of investment in this area as outlined in the Concept Paper.

In the near-term, NYSERDA should consider providing incentives for efficiency upgrades at existing power plants, which could reduce net emissions and the need for new generation. The GHG Coalition also supports exploring the feasibility of repowering oil- and diesel-fired electric generating units to burn advanced biofuels as an avenue for research and development funding. Additionally, modernizing the electricity grid can contribute to achieving the widespread introduction of renewable resources and distributed generation, which would have the added benefit of contributing to New York's RPS program goal.

Funding research, development, and demonstration projects that facilitate the transition to low- or zero-carbon emitting power sources may also be an important avenue for auction proceeds. In particular, carbon capture and sequestration (CCS) warrants further investigation and research funding. However, the focus of NYSERDA's funding efforts should remain electric efficiency programs that yield both near- and long-term benefits.

Transportation and Other Initiatives

The GHG Coalition does not believe that projects in the transportation sector should be funded using proceeds from RGGI auctions. While the transportation sector represents a significant source of GHG emissions, funds raised from the sale of allowances to the electric sector should be used primarily to support projects within that sector. RGGI modeling suggests that reinvestment of revenues in energy efficiency and related fields would likely achieve the greatest GHG reductions, while providing the greatest benefit

for consumers. The GHG Coalition supports this approach of reinvestment in electric sector-related projects rather than diverting revenues to other areas. Creating a carbon price signal for the transportation sector would be a more effective way of reducing emissions and stimulating innovation.

Similarly, NYSERDA should reconsider providing funding for the other initiatives, such as the Agriculture, Forestry, and Sustainable Bioenergy or Multidisciplinary initiatives discussed in the Concept Paper, that are not related to the electric sector. While a comprehensive approach to climate change is necessary, these initiatives may not yield the most cost-effective emission reductions or constitute an equitable use of funds. Furthermore, if NYSERDA divides the RGGI auction revenue pool among such a wide variety of initiatives, the impact of each program could be substantially diminished.

Program Evaluation and Reporting

Reviewing selected programs and publishing assessments of each is essential for ensuring that revenues are being put to good use and programs are making progress towards a stated goal. The GHG Coalition supports NYSERDA's intentions to review programs on a yearly basis with the understanding that these evaluations will be made public and stakeholders will have an ample opportunity to provide comments. However, NYSERDA should clarify the criteria it will use to review selected programs and how funds will be redistributed, if a program is failing to make a significant impact. NYSERDA should also adopt rigorous measurement and verification criteria for its programs.

We look forward to continued participation in the New York RGGI process and thank you for this opportunity to provide input.