



**ENVIRONMENTAL
ADVOCATES OF NEW YORK**

YOUR GOVERNMENT WATCHDOG

Monday, March 23, 2009

Mr. David Coup
RGGI Programs
New York State Energy Research & Development Authority
17 Columbia Circle
Albany, New York 12203

Re: Draft Operating Plan for Investments in New York under the CO₂ Budget Trading Program

Dear Mr. Coup:

Environmental Advocates of New York appreciates the opportunity to comment on the New York State Energy Research & Development Authority's (NYSERDA) Draft Operating Plan for Investments in New York under the CO₂ Budget Trading Program and the CO₂ Allowance Auction Program (hereafter referred to as the Draft Plan).

Environmental Advocates has been engaged in the development of the Regional Greenhouse Gas Initiative (RGGI) since its inception and we have a particular interest in the use of allowance auction proceeds. We are pleased that New York is moving forward with plan development. However, we have many concerns about the current draft.

We are reminded of a line in the academic literature on policy implementation by professors Jeffrey L. Pressman and Aaron Wildavsky, "If policy analysts carry bumper stickers, they should read, 'Be Simple! Be Direct!' or 'Payment on Performance'."¹ We urge plan drafters to heed that advice.

Program Resources Are Spread Too Thin

As it stands, the Draft Plan seems to focus on supporting NYSERDA's broader programs which means that resources are spread too thin. Some initiatives do not directly result in greenhouse gas reductions or have a tenuous connection to RGGI program goals. During the March 6th Advisory Committee meeting we made the point that RGGI proceeds should be used to support the mission of RGGI, namely reducing CO₂ emissions, not supporting NYSERDA's overall mission which is much broader.

We also reiterate our oral comments that cost effectiveness should be a key consideration, followed closely by ensuring that initiatives supported by RGGI proceeds produce significant greenhouse gas reductions, as well as other environmental co-benefits. Proceeds should also be spent to reduce the costs of compliance

¹ *Implementation*, Pressman, Jeffrey L.; Wildavsky, Aaron, University of California Press, 1984 (pg 159).

with the RGGI program, namely on energy efficiency initiatives. We recommend that at least 70 percent of overall funding be dedicated to the Residential, Commercial and Industrial Program and additional incentives should be made available for the solar thermal program.

In general, the draft Plan reads like a NYSERDA wish list instead of a focused set of activities to reduce greenhouse gases or achieve the RGGI program goals. Spreading RGGI revenues to a wide variety of initiatives may be attractive politically, but only dilutes the effectiveness of any individual program.

Cost Curve Analysis Must Inform the Draft Plan

NYSERDA is currently pursuing a state-based cost curve study, similar to the work published by McKinsey & Company in 2007. This work will provide an important foundation for making programmatic decisions about the uses of RGGI proceeds. We urge NYSERDA not to approve a plan until this analysis is finished and provided to the Advisory Group for review. Environmental Advocates opposes the inclusion of any initiatives in the Draft Plan for which a cost effectiveness/greenhouse gas reduction analysis has not been conducted.

More Resources Dedicated to Near-Term Activities

The Draft Plan allocates 25 percent of projected funding toward long-term initiatives instead of near-term measures that will reduce greenhouse gas emissions. Environmental Advocates recommends increasing the funding available to near-term initiatives to 90 percent. The climate crisis will not wait for research and development. New York needs to be implementing as many greenhouse gas reduction projects as soon as possible to avoid the worst effects of climate change.

Impact on Program Budgets? – Plans to Increase the Long-Term Contracts Set Aside

Environmental Advocates opposes reopening the RGGI rules to increase the size of the set-aside for power plants that entered into long-term contracts with utilities. Increasing the size of this set-aside, per a proposal under consideration by the Governor, will require significant program budget revisions. We also remain concerned that the budget allocations included in this document will be changed as a result of decreasing the amount of allowances available for auction under possible Department of Environmental Conservation rule revisions.

Include an Environmental Justice Representative in Advisory Group

In addition, as raised at the March 6, 2009 public meeting, Environmental Advocates supports adding a representative from the environmental justice community on the Advisory Group.

Other Specific Recommendations

In addition to these general comments, we offer these specific recommendations:

1. Section 3 – Require Companies that Install Diagnostics to Commit to Making Facility Improvements (3.A.1(a))

The Commercial Diagnostics Program would help identify opportunities for businesses to reduce emissions, but the program should also require businesses to commit to making such facility improvements.

2. Section 3 – Eliminate Most Components of the Municipal & Institutional Climate Change Program (3.A.3)

Environmental Advocates opposes the inclusion of initiatives described in the Draft Plan that may have substantial “societal benefits” but that do not result in greenhouse gas reductions. RGGI resources should not be used for local government climate awareness programs and outreach to schools and colleges. Capitalizing a revolving loan fund — of which there are many models — or

making direct grants/performance incentives to municipalities for energy savings resulting from facility improvements would be a better use of such funds. Incentives for public building diagnostics would also help local governments in more tangible ways than vaguely defined “planning assistance,” training and assistance with the preparation and implementation of greenhouse gas reduction plans. Similar to the commercial program, diagnostic tools should be provided to municipal facilities and be accompanied by a commitment to making facility improvements.

3. Section 4 – Eliminate Components of Long-Term Transportation Initiatives (4.B.1)

While the transportation sector is the fastest growing sector of greenhouse gas emissions in New York, program resources should be spent providing vehicle retrofits, incentives to pursue public transit alternatives or implement electrified rail efficiencies (4.A1 & 2). A long-term initiative such as research and development into plug-in hybrids has a tenuous connection to the goals of RGGI program. In addition, using RGGI proceeds as a catalyst for smart growth and for studies and demonstration projects to promote land use changes, again may have societal benefits, but would not immediately result in reduced greenhouse gas emissions, if at all. These very small allocations of resources — \$15 million for three years — should be reprogrammed to other initiatives.

4. Section 5 – Eliminate Funding For Carbon Capture & Sequestration (5.B.1)

Environmental Advocates continues to oppose the use of any portion of RGGI proceeds being invested in pursuing high-risk ventures such as carbon capture and sequestration demonstration projects. Pursuing carbon capture and sequestration fails to take the cost effectiveness criteria into account. Based on these experimental program’s high costs, uncertain potential in New York, and lack of any federal or state regulatory framework guiding these practices, New York policy-makers should not be pursuing “clean coal.” Funding should be reprogrammed to proven greenhouse gas reduction technologies.

5. Section 7 – Provide More Definition for the Competitive Greenhouse Gas Reduction Bidding Program (7.A.2)

In general, more specificity related to eligibility and the types of activities funded with these resources is needed. Environmental Advocates would not support the transfer of funds back to power generators as a way to offset the cost of purchasing allowances. We are particularly troubled by greenhouse gas reduction strategies related to fuel switching that may have occurred anyway due to changing economic conditions. A much smaller budget allocation would seem to be warranted for an idea in the early stages of development.

6. Section 7 – Eliminate the Long-Term Clean Industrial Development Program (7.B.1)

Environmental Advocates opposes funding for all the long-term initiatives proposed in this section. New energy research institutes at universities are not a wise investment given the short-term challenges from a changing climate. In addition, NYSERDA’s research and development programs are already funded through section 18-a of the Public Service Law. If those funds are inadequate, statutory authorizations should be revisited.

Conclusions

We commend NYSERDA on its efforts, but the Draft Plan still needs a great deal of work. Given the state of this draft, Environmental Advocates encourages NYSERDA to release a revised draft to the Advisory Group prior to submission to NYSERDA’s board of directors.

The eyes of the nation are indeed on New York and the other nine RGGI states as we move from policy development to implementation of the country's first mandatory program to stabilize and reduce greenhouse gas emissions. Failure to use the allowance proceeds wisely will not set the right tone as we begin deliberations over a national program. Focused incentives and targeted programs that reduce greenhouse gas emissions need to be developed so we do not squander these new resources.

Yours sincerely,

A handwritten signature in black ink that reads "Robert J. Moore". The signature is written in a cursive style with a large, looping initial "R".

Robert J. Moore
Executive Director
Environmental Advocates of New York