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January 25, 2010

VIA EMAIL: [rggiprograms@nyserda.org](mailto:rggiprograms@nyserda.org)

Mr. Francis J. Murray, Jr.  
President and CEO, NYSERDA  
17 Columbia Circle  
Albany, NY 12203

**Re: Revised RGGI Operating Plan**

Dear Mr. Murray:

Pace Energy and Climate Center, Natural Resources Defense Council, and Environmental Advocates of New York appreciate this opportunity to comment on the New York State Energy Research and Development Authority's (NYSERDA) Revised Operating Plan (Plan) for the spending of proceeds from the Regional Greenhouse Gas Initiative (RGGI) auctions. The staff at both NYSERDA and the Department of Environmental Conservation (Staff) have clearly invested a great deal of time and energy into restructuring the Plan, and have done so under a dark cloud of difficult circumstances.

As you are aware, our organizations (along with many others) were strongly opposed to Governor Paterson's<sup>1</sup> decision last fall to sweep of \$90 million in RGGI proceeds into the General Fund as part of his Deficit Reduction Plan.<sup>2</sup> While we recognize the magnitude of New York's current fiscal crisis, this action is wholly inconsistent with one of the fundamental premises on which RGGI was crafted—that the revenues from the auction of carbon allowances should be invested in measures that (1) further reduce the State's greenhouse gas (GHG) emissions, (2) save New Yorkers money on their energy bills, and (3) further reduce the cost of the program for power plants by driving down demand for electricity via energy efficiency investments. Furthermore, it sets a dangerous precedent at both the state and federal levels, most recently reflected in the proposal by Vermont's governor to follow suit and sweep that state's RGGI revenues for budget relief.

In light of the numerous attacks the RGGI program has undergone in New York—including the aforementioned sweep, the recently settled Indeck lawsuit,<sup>3</sup> and doubts over Governor Paterson's commitment to the program that surfaced in March 2009<sup>4</sup>—we see the revised Plan as a chance for a new beginning. And, inasmuch as the

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<sup>1</sup> While the DRP was ultimately approved by both houses of the legislature, the sweep of RGGI auction revenues originated with the Executive.

<sup>2</sup> See Attachment 1, Coalition sign-on letter opposing the sweep of RGGI revenues, October 30, 2009.

<sup>3</sup> *Indeck Corinth, L.P. v. David Paterson et al.*, New York State Supreme Court, Albany County, Index No. 5280-09.

<sup>4</sup> <http://www.nytimes.com/2009/03/06/nyregion/06paterson.html>

proposed SFY 2010-2011 Executive Budget unveiled on January 19 did not include any additional sweeps of auction revenues, it appears that Governor Paterson has now backed up his statements of support for RGGI with corresponding wise policy decisions.

We are generally pleased that Staff has narrowed the focus of the Plan, thereby increasing the impact of the programs supported. The following are our specific comments on various components of the Plan.

### ***Rapid Disbursement Critical***

As far back as December 2008, NYSERDA illustrated its desire to move the RGGI revenues expeditiously with its Early Action Plan to invest funds from the first auction. This strategy was unfortunately thwarted by the Indeck lawsuit, which effectively stalled any spending of proceeds, and ultimately led to the sweep of the idle funds.

While it appears the numerous outstanding circumstances that have stifled efforts to move forward have been resolved, we strongly urge NYSERDA to approve the Plan and formally commit or encumber the funds for the various programs as rapidly as possible. Doing so will not only allow the State to finally begin to realize the environmental and economic benefits of the RGGI program, but will also reduce the likelihood that RGGI auction proceeds in the future will be spent in a manner that is completely unrelated to the fundamental premise of the RGGI program.

With this in mind, we urge Staff (to the extent practicable) to focus first on investing in the implementation of programs that require minimal lead time. Supporting the worthwhile components of the Plan that necessitate a greater degree of design is also important, but the number one priority from our perspective at this point is to “move the money” and fund those elements of the Plan that can be implemented swiftly.

### ***Strong Support of Energy Efficiency***

We strongly support the Plan’s retention of investments in energy efficiency across all sectors, accounting for a robust 40 percent of the overall three year budget. While the allocations have been reduced in many cases, Staff appears to have successfully retained a critical mass of funding for residential, commercial, and industrial efficiency work—proven to be the most cost-effective means of reducing GHG emissions in the near term. The RGGI proceeds will provide Staff with a unique tool to fill gaps in existing programs already supported by the SBC, Energy Efficiency Portfolio Standard (EEPS), and federal stimulus money. As future funding gaps for energy efficiency across all fuels are identified, we urge Staff to consider reallocating proceeds to capture those opportunities.

### ***Opportunities for Clean Distributed Generation and Combined Heat and Power (CHP)***

We are pleased to see that the Revised Operating Plan retains a number of opportunities for utilizing auction proceeds to support the installation of clean distributed generation (DG), and CHP in particular. The immediate environmental benefits of these technologies are well-documented, and RGGI can provide a key funding stream to expand their use in a number of areas with compromised air quality, particularly downstate.

Funding the replacement of oil and propane heating systems with clean DG and CHP is a prime example. The *Multifamily Performance Program* is currently funded by SBC funds, and RGGI proceeds can be used to reduce oil and propane energy use in multifamily buildings by providing incentives to upgrade or replace space and domestic water heating systems. Given that about one-third of the multifamily buildings in New York are heated with fossil fuels, this program provides an excellent opportunity for achieving cost-effective GHG reductions. In particular, we urge Staff in structuring these programs to incorporate incentives for the conversion of No. 6 fuel oil-fired boilers with CHP installations. Doing so would not only assist in meeting GHG reduction targets, but would also provide the co-benefits of total fuel conversion efficiency, reductions in net criteria pollutants that impact local air quality, contributions to disaster resilience (*i.e.* facilities of refuge),

reliability improvements, and savings from avoided or delayed investments in transmission and distribution infrastructure

We support including clean DG and high-efficiency CHP as elements of these programs, and are confident that if the full value of the technologies' co-benefits are incorporated into any cost-benefit analyses, such measures would justify funding. The availability of RGGI auction proceeds could be used to augment existing programs and enable conversion of inefficient, heavily-polluting fuel oil based units currently in use at hundreds of multifamily buildings, particularly in New York City. A recent study completed by Environmental Defense Fund includes an excellent GIS map that illustrates the magnitude of this problem, identifying almost 9,000 buildings that would be prime candidates for the aforementioned CHP replacements of No. 6 and No.4 oil burning boilers.<sup>5</sup>

### ***Green Jobs—Green New York***

We support the reshuffling of allocations by Staff to ensure that the programs mandated by the Green Jobs-Green New York (GJ-GNY) statute receive the appropriate funding, while avoiding any redundancy with the workforce training and residential efficiency allocations in the previous version of the Operating Plan. Achieving an effective transition to a 21<sup>st</sup> century clean energy economy will require not only investment in measures and technologies to reduce greenhouse gas emissions, but also supporting the programs vital to training a 21<sup>st</sup> century workforce. The allocations made in the Revised Plan will go a long way towards achieving this end.

Furthermore, the innovative financing mechanisms such as on-bill recovery included in GJ-GNY will help tap into potential energy savings that have to date been difficult to capture. And the revolving loan fund structure being pursued under GJ-GNY will allow for the leveraging of RGGI dollars with private sector investment, thereby enabling the state to stretch the funds further that otherwise would have been achieved through direct grants.

### ***Environmental Justice***

Our organizations strongly support efforts by Staff to both include environmental justice (EJ) groups in the RGGI Advisory Group process, and ensure EJ issues are adequately addressed in the Plan. The proposals included in the Plan must be thoroughly analyzed to ensure that a significant portion of funding helps address under-served communities, and that programs take into account the many adverse environmental effects that disproportionately impact minority and low-income populations.

For example, EJ issues often arise from the existence of low-cost housing next to industrial sites, and programs targeted at reducing emissions from commercial facilities will inevitably reduce emissions of particulate matter and other harmful co-pollutants of CO<sub>2</sub> in these communities. We urge Staff to explore such opportunities for investing RGGI proceeds in programs that help achieve the state's GHG reduction goals *and* result in improvements in local air quality in EJ communities.

### ***Eliminate Carbon Capture and Sequestration Funding***

The original Operating Plan included \$15 million allocated for Carbon Capture and Sequestration (CCS); the revised Plan proposes to retain \$9 million to fund CCS work to be spent over three years. We question the efficacy and impact of investing a relatively small amount of money—\$3 million per year—in a technology that remains unproven and undemonstrated anywhere in the western hemisphere. To date, the federal government has invested hundreds of millions of dollars in demonstration projects and CCS research and development

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<sup>5</sup> [http://www.edf.org/documents/10085\\_EDF\\_Heating\\_Oil\\_Report.pdf](http://www.edf.org/documents/10085_EDF_Heating_Oil_Report.pdf)  
<http://www.edf.org/article.cfm?contentID=10068&redirect=dirtybuildings>

programs, largely in regions that are highly reliant on coal. By contrast, New York has no active coal mines within its borders, and coal accounts for barely 12 percent of the state's electrical generation. Furthermore, sponsors of the single New York proposal to construct a CCS power plant in Jamestown learned in December 2009 that they would not be receiving any of the U.S. DOE's Clean Coal Power Initiative funding for which they had applied.

Our objection to this component of the Plan is unrelated to whether or not CCS will play a part in national and global efforts to reduce the carbon intensity of our energy supply. Rather, this is a question of whether or not it is prudent to allocate the relatively finite RGGI funds for this purpose. Our position is that this \$9 million could be much more effectively utilized in one of the other program areas listed, such as energy efficiency and clean, renewable technologies, rather than unproven and extremely costly CCS efforts that would be better left to federal support. As stated in Pace's March 2009 comments on the draft Operating Plan:

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***RGGI auction revenues should be spent on programs that maximize impact.*** In the case of each proposed program, we urge NYSERDA to consider what impact the RGGI auction proceeds will have on the success of the program. In other words, will the additional spending make a difference in achieving meaningful reductions in CO<sub>2</sub> emissions? In some cases, the additional revenue from RGGI auction proceeds may be very small compared with the overall cost of the program, and it is difficult to measure any incremental impact of the expenditure.

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#### ***Climate Smart Communities Support***

We support the Plan's inclusion of the original funding level for the Climate Smart Communities Program at \$6.6 million. With this relatively modest sum, this program will help jumpstart efforts at the local level to address greenhouse gas emissions.

To date, 46 towns have signed on to the Climate Smart Communities pledge on the Department of Environmental Conservation's (DEC) website. After making that commitment, municipal officials must then begin to inventory and reduce their emissions. Building upon the efforts of DEC in this arena, these funds will enable municipalities that often lack the funds and/or expertise to craft and implement comprehensive GHG reducing programs. The enormity of the challenge presented by climate change requires progress at all levels of government, from international agreements right down to the individual town or village initiatives. This program will fill a vital need at the municipal level for supporting sound climate policy design and implementation, while also serving as a channel through which local officials can identify GHG reduction opportunities that may have otherwise been missed by state and federal officials.

#### ***Climate Research and Analysis***

In August 2009 Governor Paterson signed Executive Order No. 24, establishing a Climate Action Plan and committing New York to a policy that will reduce economy-wide GHG emissions 80 percent by the year 2050, including a mid-term target of reducing emissions 25 percent by the year 2025. In order to identify policies and measures to achieve these ambitious goals, the state is currently in the process of drafting a Climate Action Plan, led by NYSERDA and DEC.

We support the Plan's commitment to this effort, as evidenced by only a modest reduction—from \$9 million to \$8 million—in the funding necessary to support research and analyses contributing to the Climate Action Plan. This Plan will be the foundation for all New York climate policy going forward. Furthermore, we recommend that NYSERDA consider similar modest yet highly-effective investments in such work with future auction proceeds as the need arises.

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***Conclusion***

Pace Energy and Climate Center, Environmental Advocates of New York, and the Natural Resources Defense Council appreciate this opportunity to comment on the Plan, and look forward to continued collaboration with Staff to implement and revise the programs supported by RGGI auction proceeds in the future. Please contact us if you have any questions regarding our comments.

Very truly yours,

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