



**ENVIRONMENTAL
ADVOCATES OF NEW YORK**
YOUR GOVERNMENT WATCHDOG

Monday, December 1, 2008

Mr. David Coup
RGGI Programs
NYSERDA
17 Columbia Circle
Albany, NY 12203-6399

Re: RGGI Proceeds Operating Plan Concept Paper

Dear Mr. Coup:

Environmental Advocates of New York appreciates this opportunity to comment on the New York State Energy Research & Development Authority's (NYSERDA) Operating Plan Concept Paper for the investment of proceeds from Regional Greenhouse Gas Initiative (RGGI) auctions. We have been actively engaged in the development of RGGI for years, and are pleased to see New York poised to participate in December's auction. This next phase of the discussion—how to best utilize the revenues—will play an integral part in the overall success of the program.

We applaud NYSERDA for drafting such a comprehensive document, and look forward to further discussions as a member of the Advisory Group. The following are a few key points we urge NYSERDA to keep in mind as we move forward. In addition to these positions, we will be providing more detailed suggestions once the Draft Operating Plan is released for comment.

Focus

Generally speaking, the Concept Paper consists of a large portfolio of worthy programs that would help reduce New York's greenhouse (GHG) emissions. If there were sufficient revenues to fund and implement a majority of the programs listed, the concept paper could very well serve as a roadmap to tackling the state's contribution to global climate change.

However, the reality is that the revenue generated by the RGGI auctions will be a relatively small and finite pool of money. Under such constraints, it is critical to limit the number of projects supported in order to ensure the funds are not spread so thin that we achieve little real progress. While it may seem politically appealing to spread the money

across a broad spectrum of initiatives, such an approach will only serve to water down the impact of any individual program.

We encourage NYSERDA to draft an Operating Plan that is tight and focused, directing a majority of the RGGI revenues to proven, effective projects such as energy efficiency. Doing so will ensure the greatest return on investment from a financial and GHG-reduction perspective.

Timeframe

It is very important that NYSERDA invest these revenues in worthy programs in an expedient manner. We have no time to lose in the state's efforts to reduce its GHG emissions. This concern further reinforces the aforementioned argument for a tightly focused Operating Plan, as the more complex the RGGI-funded portfolio becomes, the longer it will take to disburse the funds. This poses two problems: a delay in on-the-ground benefits for consumers and the environment, and an increased possibility of raids on the funds for inappropriate purposes.

Additionality

The Operating Plan must effectively prevent a shell game, in which RGGI revenues *supplant* funds already allocated for programs, rather than *complementing* those funds. Such a scenario would undermine the ongoing progress New York has made to date. This may be the singlemost important concept to bear in mind during the drafting of the Plan.

A perfect example is mentioned in the Transportation section of the Concept Paper. On page 10 of the document, it states that "Most initiatives in the transportation area require substantial expenditures, and auction proceeds would complement, rather than supplant, existing Federal and State funding (e.g. Congestion Mitigation Air Quality (CMAQ) funds)." We are pleased to see NYSERDA has recognized both the additionality concern, and the potential for programs aimed at reducing GHG emissions from the transportation sector to swallow up vast amounts of funding. While we recognize this sector is a major piece of the emissions puzzle, we believe it can better mitigated through other funding sources and mechanisms.

Efficiency

Investing in energy efficiency is the most cost-effective way to help New York achieve emissions reduction goals. Efficiency programs facilitate emission reductions by avoiding future electricity demand and associated emissions. Additionally, energy efficiency programs have significant system-wide benefits. In particular, lower demand depresses wholesale electric energy prices and reduces peak demand, thus lowering capacity costs and overall retail prices. In fact, modeling completed by the Massachusetts Division of Energy Resources found that doubling energy efficiency spending under RGGI will reduce household utility bills by \$66 in 2015, and by \$109 in 2021.

According to the NYSERDA regulations, the RGGI proceeds are to be used for "consumer benefit." Following this directive, there is no better utilization of RGGI revenues than efficiency investments. Such programs will directly—not theoretically—reduce the cost of the program for the citizens of New York State. In the current

economic climate, it becomes even more important to follow through with this commitment.

Finally, efficiency programs put real dollars in ratepayer's pockets; money that can be spent on other parts of the economy. New York spends billions of dollars yearly on imported fossil fuels, and while the Energy Efficiency Portfolio Standard is a major step in the right direction, there remains substantial untapped efficiency potential worthy of investment. Efficiency programs fund local energy service companies and producers of efficient equipment that is more likely to be manufactured locally or regionally. Such programs should be the top priority for receiving funding from RGGI proceeds.

Nuclear

We are strongly opposed to any portion of the RGGI proceeds being invested in existing or future nuclear generation technology. It simply makes no sense to invest monies generated from a program to reduce carbon dioxide emissions from fossil fuel generators in a sector that is not affected by the RGGI program.

Long-term Strategies

Regarding the breakdown of investment, the Concept Paper mentions that "at least 25 percent will address areas that may require longer investment horizons." While high priced and highly speculative research and development projects have the potential to yield some benefit over the long term, they should not be supported with RGGI revenues. This small pool of money should be directed at time-tested programs like efficiency, not high risk ventures such as carbon capture and sequestration experiments.

Concluding Remarks

The challenge of deciding how RGGI revenues can best be utilized is a complex one. We applaud NYSERDA for structuring this process in a way that allows for substantive stakeholder input, and look forward to future discussions of the Advisory Group. Thank you for this opportunity, please do not hesitate to contact us if you have any questions regarding our comments.

Sincerely,

A handwritten signature in black ink that reads "Robert J. Moore". The signature is written in a cursive, flowing style.

Robert J. Moore
Executive Director
Environmental Advocates of New York