CLEAN WATER ACTION

645 Farmington Ave, 3rd Floor, Hartford, CT 06105 (860)232-6232

Comments on the CT Regional Greenhouse Gas Initiative draft regulation

Roger Smith, Campaign Director, Clean Water Action

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The following comments are in response to the release of the draft Connecticut regulation on the Regional Greenhouse Gas Initiative, and are submitted on behalf of Clean Water Action's 11,000 Connecticut members.

1. Investing Auction Revenue in Clean Energy and Energy Efficiency is Good Policy

Clean Water Action strongly supports reinvesting auction proceeds in programs which demonstrably benefit consumers and mitigate global warming emissions in a cost-effective way. Using 2/3 of these proceeds for energy efficiency is tremendously positive, and this will have significant short-term benefits as the CT Efficiency Fund programs are currently underfunded and oversubscribed.

We suggest that the DEP might want to leave itself limited discretion to alter the balance between efficiency and Class I clean energy investments, based on which can displace more fossil generation per dollar invested. This is because greater investment in efficiency may make sense today, while greater spending on Class I renewable energy may make more sense for consumers years from now as cost-effective efficiency opportunities decline over the next decade.

2. Limit free allocation to combined heat and power and distributed resources

While we disagree with the policy, the clear intent of PA 07-242 regarding free allocations to combined heat and power units was to ensure the state did not effectively reduce subsidies for efficient, distributed combined heat and power units at commercial and industrial facilities by charging them for carbon permits. CHP facilities up to 65 MW were subsidized by ratepayers under the 2005 Energy Independence Act.

We are concerned that in this draft rule the DEP did not define combine heat and power or provide meaningful criteria for which facilities could qualify for these allowances. DEP should reference the existing statutory definition of CHP, and limit free allowances to units between 25 and 65 megawatts which received DPUC grants after 2005. 25MW is the RGGI floor amount and 65MW the ceiling to qualify for Energy Independence Act distributed generation grants.

The draft rule needlessly has two sections giving allowances to the same units and they should be merged. DEP created a separate set-aside for "customer side distributed resources," meaning an entity which "operates CO_2 budget units that are also customer-side distributed resources that received funds pursuant to the customer-side distributed resources program established by the Department of Public Utilities Control pursuant to Section 16-243 of the Connecticut General Statutes. " The only units greater than 25MW to date are CHP.

DEP should merge these two sections into one and restrict free allowances to combined heat and power projects funded by the DPUC per the 2005 Energy Independence Act. The total allocation to these units should be capped at 5% as currently only units two fall in this category as of our latest reading of the DPUC DG Grants list. Even 5% seems overly generous given the small number of units and their high efficiency and low rates of carbon emissions.

3. Remove Cap on Retirement of Voluntary Renewable Purchases

CT has the legal ability to subtract carbon dioxide reductions associated with clean energy purchases from the state emission budget. Unfortunately in the draft regulations from DEP this is limited to 1% of the overall state emissions budget. While other states have opted for similar caps, it is largely symbolic as they lack robust voluntary renewable energy purchasing programs that would ever come close to reaching this threshold. However, applying their policy to Connecticut does not make sense.

Connecticut has one of the most robust and fastest-growing voluntary renewable energy markets in the country, which is why organizations such as the Connecticut Clean Energy Fund and Smart Power have received national awards for their work here.   So far 69 out of 169 Connecticut towns have joined the 20% by 2010 campaign committing to meet 20% of their municipal building energy needs through clean energy purchases. The Connecticut Clean Energy Options program, where customers voluntary pay a surcharge to support clean energy has reached the 17,000 customer mark. In addition, major Connecticut businesses including Pitney Bowes and Curtis Packaging have made large voluntary purchases of renewable energy.

As public concern about global warming has surpassed concerns about traditional environmental concerns like air pollution, according to a 2006 Clean Energy Fund commissioned survey, there is a real opportunity to market renewable energy as a way to concretely cut global warming pollution through RGGI. Unfortunately, if the 1% cap remains in place, once voluntary renewable purchases surpass this threshold there will no longer be any clear, quantifiable carbon benefits for new sign-ups.

As an advocate, West Hartford Clean Energy Task Force member, and Clean Energy Options customer, I urge the DEP to lift the cap. By doing so DEP will support the goals of the legislature, which authorized the creation of the CT Clean Energy Options program, support the ratepayer-funded efforts of the Clean Energy Fund which promoted it, and help the thousands of citizen volunteers (some of whom have earned Climate Leadership awards from the DEP) who have worked hard to sign their towns and neighbors up for clean energy. Too often we hear that people are unwilling to pay for clean energy or to mitigate global warming. Towns, businesses and families who are willing to align their spending with their values should be able to claim that their money is helping to stop global warming.

4. Adopt Policies to Address Cap Inflation

We are concerned about the 2007 Point Carbon study and recent Environment Northeast analysis which suggest that RGGI may not create robust carbon markets as the RGGI cap level is inflated and current emissions are below projected trends. Overly soft caps will not appropriately price carbon and send the signal to invest in emissions from fossil fuel plants and investing in renewable energy. We support the comments from Environment Northeast to adjust the budget based on more accurate emissions data, and to establish an auction reserve price.

5. Auction revenue retained by DEP to administrate program must be targeted to climate activities

The statute says:
(a) of this section may include provisions to cover the reasonable administrative costs associated with the implementation of the Regional Greenhouse Gas Initiative in Connecticut and to fund assessment and planning of measures to reduce emissions and mitigate the impacts of climate change. Such costs shall not exceed seven and one-half per cent of the total projected allowance value.

The draft rule states:
Proceeds derived from the sale of CO2 allowances held in the Connecticut Auction Account shall be distributed as follows: (i) Seven and one-half (7.5) percent of auction proceeds shall be retained by the commissioner;

We are in favor of using some allowance revenue to support DEP activities as we recognize the agency is chronic short-staffed and under-funded. However this money is clearly intended by the legislation to support the implementation of RGGI and to go to climate planning and staffing. We ask DEP to clarify that this money will be retained by the commissioner to support RGGI implementation, climate change mitigation, and impacts assessment measures.

6. We support Environment Northeast's Comments on sustainable biomass

Thank you for your consideration,

Roger Smith
Campaign Director
Clean Water Action Connecticut