



February 11, 2019

VIA ELECTRONIC MAIL

Andrew McKeon, Executive Director
RGGI, Inc.
90 Church Street, 4th Floor
New York, NY 10007
info@rggi.org

RE: Comments of the Sierra Club Regarding New Jersey Proposed CO2 Budget Trading Rule

Dear Mr. McKeon:

Thank you for the opportunity to comment on New Jersey's proposal to rejoin the Regional Greenhouse Gas Initiative (RGGI). The Sierra Club strongly supports the re-incorporation of New Jersey into RGGI subject to the recommendations below regarding New Jersey's 2020 cap allocation and additional recommendations regarding New Jersey's proposal not discussed here because they do not concern the proposal's compatibility with the existing RGGI program.¹ With an appropriately calibrated 2020 cap allocation, we believe that New Jersey's resumed participation in the RGGI program provides a desirable expansion and strengthening of the program.

During the RGGI states' January 31, 2019 webinar, two issues were identified regarding New Jersey's proposal: (1) its consistency with the improvements to the RGGI program developed through the most recent program review; and (2) its "comparable stringency" to the existing RGGI states' program. With regard to the former, the Sierra Club concurs with the RGGI states' finding that New Jersey's proposal is consistent with the RGGI program, most notably through its incorporation of key features of the most recent program review: updated trigger prices for the Cost Containment Reserve (CCR); the creation of an Emissions Containment Reserve (ECR); and an overall regional cap trajectory that declines by 3 percent per year between 2021 and 2030.²

With regard to the latter, the Sierra Club has significant concerns that New Jersey's proposed 18 million ton budget for 2020 is too high and, as a result, does not result in "comparable stringency" with the present RGGI program. As the RGGI states are well aware, the overall cap has significant bearing on the integrity and environmental efficacy of the program. A cap that is too high impairs the program's ability to ensure continued greenhouse gas reductions

¹ These recommendations are being submitted in separate comments that are being filed with NJDEP on February, 15, 2019.

² RGGI, January 31, 2019 Stakeholder Meeting (Jan. 31, 2019) at Slide 6.

and also results in lower emission allowance prices, reducing the revenue that states can use to promote further emission reductions and other environmental and equity benefits. Based on the modeling conducted by the New Jersey Department of Environmental Protection (NJDEP) and Natural Resources Defense Council (NRDC), and based on developments in New Jersey and the other RGGI states since New Jersey's prior withdrawal from the program, Sierra Club believes New Jersey's initial control period base budget should be below the currently proposed 18 million tons.

Modeling conducted by NRDC from summer 2018 using S&P's *Power Forecast*³ and EPA's unit-level emission rates for state facilities that projected that New Jersey's power plant emissions would fall to slightly below 14 million tons in 2020.⁴ The 14 million ton figure did not incorporate the impacts of New Jersey Assembly Bill 3723, which had the effect of increasing the renewable portfolio standard (including requiring that 21 percent of electricity come from renewable energy in 2021), establishing energy efficiency savings targets, and establishing storage targets for New Jersey.⁵ With the effects of Assembly Bill 3723 incorporated, NRDC's modeling projected 2020 New Jersey power plant emissions of 12.54 million tons.⁶ In conjunction with the current proposal, NJDEP has conducted its own modeling of 2020 New Jersey power plant emissions, and projects emissions of 18 million tons in 2020, nearly 50 percent higher.

The very large disparity between the NJDEP modeling results and the recent NRDC modeling results—despite the brief time interval between the two modeling runs and the fact that they are projecting only a short time into the future—highlights the apparent sensitivity of the modeling to changes in certain input assumptions. It is Sierra Club's understanding that the primary difference in modeling assumptions involved natural gas prices and load forecasts, both of which are challenging to predict with a high degree of accuracy. It is also our understanding that neither set of modeling conducted sensitivities around these critical inputs. As such, we caution against relying exclusively on either forecast, and instead urge the RGGI states to take into account both sets of modeling and request a more protective approach by incorporating a starting cap for New Jersey between the 18 million and 12.54 million ton forecasts. We believe such an approach is reasonable and prudent in light of the size of the disparity between the modeled results and the significant possibility that 18 million tons overestimates New Jersey's actual 2020 power plant emissions.

In addition, we are also concerned that an 18 million ton allocation would result in New Jersey contributing an outsize share to the regional cap. During the first three-year Control Period from 2009 to 2011, New Jersey's allowance budget represented 12 percent of the total for the then-10 RGGI states.⁷ Through the 2012 program review, the RGGI states agreed on a 2020 budget of approximately 78 million tons. New Jersey's proposal to rejoin with an initial allocation of 18 million tons would dramatically increase its proportional allocation of

³ Which included S&P's forecasts of generation and capacity factors.

⁴ Comments of NRDC, Acadia Center, Environment New Jersey, New Jersey Conservation Foundation, and Sierra Club to NJDEP and the New Jersey Board of Public Utilities regarding Ensuring New Jersey's Re-Entry into RGGI Includes a 2020 Carbon Cap Level That Maintains the Program's Environmental Integrity (June 5, 2018), at 3.

⁵ *Id.*

⁶ *Id.*

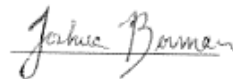
⁷ https://www.rggi.org/sites/default/files/Uploads/Allowance-Tracking/FCP_Allowance-Distribution.pdf

allowances to nearly 19 percent. This is particularly concerning because, during its hiatus from participation in RGGI, New Jersey developed new fossil fuel generation at a rate that far outstripped new fossil fuel generation in the other RGGI states. Between 2012 and 2018 over 4,000 MW of new gas units 25 MW or larger came online in New Jersey.⁸ During that same time the nine states that remained in RGGI combined to add less than 6,000 MW of new fossil fuel units 25 MW or larger.⁹ Thus from an equity perspective, New Jersey's 2020 cap should be much closer to 12.54 million tons (which would represent about 14 percent of emissions from the 10 original RGGI states) than the currently-proposed 18 million tons.

In sum, the Sierra Club welcomes New Jersey's reentry into the RGGI program. However, to ensure that New Jersey's reentry does not jeopardize the integrity or environmental benefits of the existing RGGI program, the Sierra Club urges the RGGI states to request an initial 2020 starting cap for New Jersey that is below 18 million tons.

Thank you for your consideration.

Respectfully submitted,



Joshua Berman
Senior Attorney
Sierra Club
50 F St. NW, 8th Floor
Washington, DC 20001
Tel: (202) 650-6062
Email: Josh.Berman@sierraclub.org

⁸ Six 60.5 MW gas turbines at the Kearny power plant; eight 64.0 MW and two 65.0 MW gas turbines at the Bayonne Energy Center; one 68.2 MW gas turbine at the Howard Down plant; a 754.3 MW combined cycle gas plant in West Deptford; the 73.0 MW gas turbine at Clayville Generating Station; the 735 MW Newark Energy Center; the 26.8 MW gas turbine at Eagle Point Cogeneration; the 705 MW combined cycle natural gas Woodbridge Energy Center; and the 540 MW combined cycle Sewaren Gas Power Plan.

⁹ Three 60.5 MW gas turbines at New Haven Harbor Peaking in Connecticut, two 50.0 MW gas turbines at Wallington Energy in Connecticut, the 805 MW combined cycle Towantic Energy Center in Connecticut, the 576 MW combined cycle Bridgeport Harbor Station Unit 5 in Connecticut, the 51.0 MW Warren F. Beasley combustion turbine in Delaware, a 50 MW combined cycle repower at Dover Energy Center in Delaware, the 361 MW combined cycle Garrison Energy Center in Delaware, a 141 MW gas turbine at Perryman in Maryland, the 746 MW CPV St. Charles Energy Center in Maryland, two 65.0 MW combined cycle units at the Cove Point LNG Terminal in Maryland, the 755 MW combined cycle PSEG Keys Energy Center in Maryland, the 1,113 MW combined cycle Wildcat Point Generation Facility in Maryland, the 674 MW combined cycle Salem Harbor Station in Massachusetts, and the 720 MW combined cycle CPV Valley Energy Center in New York.