NRDC

November 29, 2021

Andrew McKeon, Executive Director
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RE: RGGI Program Review Comment

Dear Mr. McKeon and Members of the RGGI Board:

Thank you for the opportunity to provide comments on the RGGI states' preliminary thinking and timeline for the recently launched RGGI program review. In its 13-year history, RGGI has provided numerous benefits to participating Eastern states by helping to reduce both conventional and climate pollution from the region's power plants,[1] providing billions of dollars in health benefits as a result of cleaner air,[2] and generating billions of dollars for investments in clean energy projects that are saving consumers money on their energy bills.[3] Since RGGI's last program review concluded in 2017, New Jersey, Virginia, Pennsylvania, and North Carolina, have all joined or begun the process of joining RGGI in pursuit of similar benefits for their states' residents, further growing the impacts of the regional program.[4]

While RGGI has achieved many successes, however, significant opportunities to strengthen the program remain. RGGI's third program review is an occasion to assess the program's performance and make improvements to ensure its success in the years to come.

[1] Acadia Center, *The Regional Greenhouse Gas Initiative: Ten Years in Review* (September 17, 2019), at 2-3 and 7, https://362kp444oe5xj84kkwjq322g-wpengine.netdna-ssl.com/wp-content/uploads/2019/09/Acadia-Center_RGGI_10-Years-in-Review_2019-09-17.pdf.

[2] Abt Associates, *Analysis of the Public Health Impacts of the Regional Greenhouse Gas Initiative, 2009–2014* (January 2017), at 1-2, https://www.abtassociates.com/sites/default/files/2018-06/Analysis%20of%20the%20public%20health%20impacts%20of%20regional%20greenhouse%20gas.pdf.

[3] RGGI, Inc., "Investments of Proceeds," https://www.rggi.org/investments/proceeds-investments (accessed November 29, 2021).

[4] New Jersey officially reentered the RGGI program in January 2020; Virginia joined in January 2021; Pennsylvania is on track to finalize its state RGGI regulations and join in early 2022; and North Carolina is expected to formally initiate a state RGGI rulemaking proceeding in the coming months after the state's Environmental Management Committee voted to approve a stakeholder RGGI petition in July 2021.

The RGGI states have identified several key focal areas for their third review, including environmental justice and equity.[5] NRDC strongly supports prioritizing environmental justice and equity in the review and adopting improvements and reforms to RGGI that will ensure that justice and equity are at the heart of the program's implementation and design. We acknowledge that many environmental justice advocates do not support, and have concerns about, market-based programs like RGGI. While NRDC believes that RGGI has an important role to play as part of a portfolio of policies needed to address climate change, we also believe that it is essential that the benefits of programs like RGGI, and climate change policies generally, be felt by communities most impacted by power plant pollution and the dangers of climate change.

Toward this end, we urge the RGGI states to work early, often, and directly with environmental justice and equity stakeholders throughout the program review, and in the implementation of RGGI more broadly, to ensure that environmental justice and equity are at its forefront. It is essential that the RGGI states seek out, facilitate, welcome, and incorporate the comments, participation, perspectives, and needs of environmental justice, labor, public health, and low-income communities and leaders in the review. NRDC also strongly supports recommendations from environmental justice groups that are also submitting comments to thoroughly examine RGGI's impacts and pursue meaningful improvements and reforms to the program, including as related to the strength and coverage of RGGI's carbon pollution cap and the distribution and equity of states' RGGI investments.

With respect to the carbon pollution cap, we note that power plant emissions data have consistently revealed that RGGI's cap has lagged the region's actual, observed rate of power sector decarbonization.[6] To ensure an effective and lasting RGGI program, the states must further strengthen RGGI's cap and associated program elements in this review. Such reforms are needed to ensure compliance with state laws, as individual RGGI states continue to adopt more ambitious power sector pollution reduction requirements, and to facilitate the region's broader decarbonization through clean, efficient electrification, including in the transportation and buildings sectors, as the urgency of climate change mitigation grows.

Below, we provide further, initial recommendations from NRDC on RGGI program review processes and priorities.

<u>Program Review Priorities</u>

RGGI is a cornerstone program to address carbon pollution from the power sector across 11 states (and growing) in the Eastern U.S. The program works seamlessly alongside other state policies, including renewable portfolio standards, energy efficiency programs, and economy-wide greenhouse gas reduction mandates, to accelerate the power sector's transition away from polluting fossil fuels. Because decarbonizing the power sector is essential for decarbonizing

[5] RGGI, Inc., *RGGI Program Review: Topics for Public Consideration* (September 13, 2021), https://www.rggi.org/sites/default/files/Uploads/Program-Review/9-13-2021/RGGI%20Topics%20for%20Public%20Participation_2021-09-07.pdf.

[6] Acadia Center, *The Regional Greenhouse Gas Initiative: Ten Years in Review*, *supra* note 1, at 3.

other economic sectors, including transportation and buildings, RGGI is also a critical pillar in achieving our broader state, national, and global climate goals.

RGGI's two previous program reviews have contributed to a stronger and more effective program through progressive lowering of RGGI's carbon pollution cap and other program improvements. As the RGGI states initiate this third program review, they should similarly seek to build on and improve the current program to ensure that RGGI continues to contribute to state and regional climate progress in the years ahead. NRDC supports the states' proposed focus on RGGI's carbon pollution cap and other key program elements, including the minimum reserve price, Cost Containment Reserve (CCR), Emissions Containment Reserve (ECR), offsets, and polluting power plants' compliance requirements.[7]

The RGGI states have also committed to addressing environmental justice and equity in the third program review. Previous reviews have, unfortunately, failed to examine these issues in meaningful ways, despite the urging of environmental justice groups and allies. In the current review, the RGGI states must hold themselves accountable to do better. Among other things, this includes the need for RGGI states to heed previous[8] and continuing calls to incorporate analyses of equity and public health centrally within RGGI, to ensure inclusive and accessible stakeholder processes, and to ensure RGGI provides just and equitable outcomes. NRDC supports calls from multiple environmental justice groups for the RGGI states to address in this program review:

- The universe of power plants that must comply with RGGI, including the need to bring smaller, highly polluting peaking fossil fuel generating units under RGGI's carbon pollution cap;

- The distribution and equity of RGGI program investments;

- The need to examine mechanisms both within and alongside RGGI to achieve local air pollution reductions from fossil fuel generation in order to reduce and eliminate disproportionate air pollution burdens (including from NOx and other power plant co-pollutants) and associated disproportionate health harms from pollution faced by communities of color and low-income communities in the region;

- RGGI's carbon pollution cap, to ensure that it is consistent with state climate mandates, ambitious enough to tackle the climate crisis, and protective of disadvantaged communities that are already experiencing harmful climate impacts; and

- RGGI's compliance pathways to ensure that the program contributes to a clean, zero-carbon power sector, in line with what state laws mandate, and does not create loopholes that could result in increases in either conventional or climate pollution.

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[7] RGGI, Inc., *RGGI Program Review: Topics for Public Consideration*, *supra* note 5.

[8] *See, e.g.,* Northeast Environmental Justice and Climate Justice Regionwide Stakeholder Comments to RGGI (October 6, 2017), https://www.rggi.org/sites/default/files/Uploads/Program-Review/9-25-2017/Comments/Environmental_Justice_Joint_Comments.pdf.

While this program review is focused specifically on RGGI, NRDC also urges the RGGI states to take a broad view of their power sector, climate change, and clean air policy authorities and mandates in the review, in order to identify opportunities and synergies to achieve more equitable and just outcomes and more ambitious pollution reductions throughout the region.

Stakeholder Process

RGGI's past program reviews have provided numerous opportunities for stakeholder learning, comment, and review of iterative analysis, assumptions, and state agencies' thinking on RGGI's performance and potential program modifications. However, past program reviews have also often failed to engage diverse constituencies on the RGGI program.

Consistent with the RGGI states' commitment to address environmental justice and equity in this review, we urge the states to work with RGGI, Inc. and with diverse stakeholders to ensure that best practices for engaging and facilitating participation from diverse participants are used throughout the review. This should include direct and early outreach from the RGGI states with environmental justice, labor, public health, and low-income communities and leaders throughout the region to ensure that these constituencies are aware of the program review and that their interests and concerns are reflected in the processes and priorities of the review.

The RGGI states' decision to hold, at the start of the program review, a second program review listening session on Monday, November 8, 2021, in the evening, following their initial midday listening session on October 5, 2021; provision of both English and Spanish language services at these sessions; and posting of meeting materials in advance of the sessions are all welcome steps. As the program review proceeds, continuing to follow these practices while also providing more advanced notice of opportunities (including when multiple meeting opportunities will be provided on the same or similar topics); more accessible meeting materials; clear deadlines and ample opportunities and time for providing public comments; and responses to stakeholder questions and comments, both during meetings and via written responses, would help facilitate greater public awareness of, participation in, and engagement on the review.

In addition to providing inclusive regional stakeholder processes, NRDC also urges all RGGI states to provide robust state-level stakeholder meetings and public comment opportunities. During past RGGI program reviews, the level of in-state stakeholder engagement by individual RGGI states has varied significantly across the region. Some RGGI states have convened multiple program-review focused meetings with their state stakeholders, sometimes in parallel with the regional program review convenings. Others have provided fewer opportunities. For this program review, NRDC urges all RGGI states to publicly commit to robust state stakeholder processes throughout the review using best practices for stakeholder engagement. State-level meetings should be well-noticed and held in different regions of each state and at various times of day, including during the evening, to facilitate broad public participation. These meetings should include opportunities for stakeholders to learn about and comment on regional program review topics as well as state-specific aspects of RGGI program design and implementation, such as state-level decisions on how to allocate and spend RGGI proceeds. We request that the RGGI states work with RGGI, Inc. to provide a unified, updated calendar of regional and state-specific program review meetings and stakeholder comment opportunities.

Scope of Analysis

NRDC supports requests by multiple environmental justice groups to include equity-focused analyses as an integral part of the RGGI program review, including analyses of historic and predicted emissions trends, community outcomes, and past RGGI investments. Such analyses should be added to the program review timeline on a schedule that ensures robust opportunities for public comment and engagement, and the results of these equity analyses should be used to inform the direction and outcomes of the program review, including potential reforms to RGGI.

We also urge the RGGI states to expand analyses of public health outcomes and consumer benefits and impacts as a part of the program review. In previous reviews, analyses of these topics have often been limited or presented only at the end of the review, after the states have already made major decisions on updates to the RGGI cap and other program design elements. This sequencing has prevented meaningful consideration of health and consumer benefits from potential alternatives and other program design decisions, including the potential for a more ambitious RGGI program cap or other program designs to provide greater health benefits from air pollution reduction and/or increased consumer bill savings, in addition to climate mitigation. NRDC recommends that the RGGI states build analyses of health and consumer benefits more meaningfully into the front end of the RGGI program review, including by conducting—and sharing with stakeholders—analyses of these issues earlier in and iteratively throughout the review.

Initial Recommendations on Specific Program Elements

Below, we provide initial recommendations on several reforms that should be considered in the RGGI program review. As the program review moves forward, and in response to analyses produced by the RGGI states and others during the review, NRDC anticipates that we will have additional recommendations, including, potentially, changes to or elaboration on the following.

a. Carbon Pollution Cap

RGGI's carbon pollution cap has consistently lagged the actual rate of power sector decarbonization in the region. In response, at the conclusion of both previous program reviews, the RGGI states have adjusted the program's cap trajectory downward and made further annual downward adjustments to the cap to account for excess banked allowances in the market.

These previous reforms have been necessary but have ultimately proven insufficient, as CO_2 emissions from RGGI-covered power plants continue to decline more quickly than RGGI's cap requires. In 2020, RGGI-covered power plants emitted 73.7 million short tons of CO_2 compared to a RGGI cap limit of 96.2 million short tons of CO_2.[9] RGGI's carbon pollution allowance price and state investments of RGGI proceeds in clean energy ensure that the program

[9] 2020 power plant emissions data are from the RGGI CO_2 Allowance Tracking System (COATS) database. RGGI CO_2 Allowance Tracking System, "Summary Level Emissions Reports," https://rggi-coats.org/eats/rggi/index.cfm?fuseaction=search.rggi_summary_report_input&clearfuseattribs=true.

continues to provide CO_2 reductions, but RGGI's too-high cap appears to be leaving further low-cost emissions reductions on the table at a time when the power sector and economy need to decarbonize more rapidly. Excess carbon allowances sold through the end of 2020 will ultimately be addressed thanks to the RGGI states' 2017 agreement to conduct a third adjustment for banked allowances between 2021 and 2025.[10] However, because the mismatch between RGGI's cap and actual emissions seems likely to persist, new excess allowances may continue to enter the market in 2021 and later years.

To address these concerns and ensure that RGGI is able to help the region rapidly decarbonize the power sector, we urge the RGGI states to do the following.

1. *Lower the Regional Carbon Pollution Cap*

The RGGI states should commit to lowering RGGI's cap to eliminate the persistent gap between observed and projected emissions declines, and to ensure that the cap is consistent with the need to decarbonize the power sector. At a minimum, the RGGI states should lower RGGI's cap to ensure that the cap is consistent with the requirements of new state laws adopted since the end of the last program review that require growing levels of clean energy and a transition to zero-carbon electricity.[11] We urge the states, however, to go further and to set RGGI's cap at a lower level that will ensure increased climate ambition in individual states and across the region.

RGGI cap scenarios considered in the program review should include one or more scenarios that are consistent with decarbonizing the power sector on the most ambitious timeline called for under state and federal climate laws and targets (e.g., the Biden Administration's goal to achieve a carbon pollution-free power sector in the U.S. by 2035).

2. *Automatically Adjust for Banked Allowances*

The RGGI states should commit to further adjust the program's cap downward to account for any excess allowances sold after 2020. Rather than addressing excess banked allowances on an ad hoc basis through individual program reviews, as the states have done in RGGI's two previous program reviews, we urge the states to build in a requirement for automatic adjustments for excess banked allowances into the design of the RGGI program itself. This could be accomplished, for example, by adding language to the Model Rule (and states' implementation of the Model Rule) that requires a calculation of the number of excess allowances in regional circulation at the end of each 3-year compliance period and an automatic pro rata adjustment to each state's allowance budget to eliminate this excess allowance bank over the subsequent 3-year compliance period. By making adjustments for excess banked allowances an automatic and enduring feature of the RGGI program, the states would better help ensure RGGI's climate performance; provide greater predictability to the market; and, by eliminating the need to

[10] RGGI, Inc., Summary of RGGI Model Rule Updates (December 19, 2017), at 1, https://www.rggi.org/sites /default/files/Uploads/Program-Review/12-19-2017/Summary_Model_Rule_Updates.pdf.

[11] For example, New York has adopted legislation requiring achieve 70 percent renewable energy by 2030 and zero-emissions power by 2040; Maine law now requires 80% renewable energy by 2030 and sets a goal of 100% renewable energy by 2050; and Virginia law requires zero-emissions power by 2045. Maryland's governor has also committed to a zero-carbon emissions power sector by 2040.

consider adjustments for excess banked allowances as part of each program review, create more space for consideration of other important program design issues during future program reviews.

3. Lower RGGI's Compliance Threshold

The RGGI states should expand the universe of power plants covered under the program to ensure continued pollution declines and improved health outcomes. Regionally, RGGI only applies to fossil fuel-fired power plants that are 25 MW or larger in size. At the urging of environmental justice advocates, New York recently expanded its state implementation of RGGI to require carbon pollution reductions at smaller, highly polluting peaking power plants in the state, many of which are located in low-income communities and communities of color. As of January 1, 2021, fossil-fuel fired generating units in New York that are between 15 MW and 25 MW in size are now also required to comply with RGGI's carbon allowance requirements and cap, if they are colocated with other similarly sized generating units.[12] NRDC joins multiple environmental justice groups in calling for RGGI states to follow New York's lead and to consider going even further by lowering the threshold for power plants subject to RGGI to 15 MW regionwide, without a colocation requirement.

4. Address All Sources of Power Plant Climate Pollution

NRDC urges the RGGI states, as we have previously, to close the existing loophole in the RGGI program for biomass energy, which is currently counted as zero-carbon energy, despite abundant evidence that biomass burning can contribute to climate change.[13] Consistent with our prior comments, the RGGI states should include climate emissions from biomass energy in their program review analyses and should address these emissions, either by bringing biomass energy power plants underneath the RGGI cap or through other regulatory programs. Such measures are needed to ensure that all sources of power plant greenhouse gas emissions are regulated and that these emissions decline. We similarly urge the RGGI states to examine in the program review the emissions implications of other existing and proposed power plant combustion fuels, such as hydrogen (of all variants), all forms of combusting gas (including renewable and synthetic gas), and waste, and to strategize on how best to address climate and health-harming pollutants from these and other potentially new or emerging technologies. It is essential to ensure that RGGI continues to prioritize and facilitate investments in technologies that decarbonize the power sector and that the program does not include potential loopholes that could delay the necessary transition away from fossil fuel infrastructure, result in increased or continued local pollution harms, or otherwise undermine climate targets and goals.

5. Examine and Address Potential for Emissions Leakage

NRDC encourages the RGGI states to examine the potential for emissions leakage from RGGI to non-RGGI states in the program review, as a result of power imports from states that do

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[12] New York Department of Environmental Conservation, "Adopted Part 242 CO2 Budget Trading Program," https://www.dec.ny.gov/regulations/120061.html (accessed November 29, 2021).

[13] *See, e.g.*, NRDC comments (March 15, 2016), https://www.rggi.org/sites/default/files/Uploads/Program-Review/2-2-2016/Comments/NRDC_Additional_Comments.pdf.

not have carbon pollution mandates, and to develop solutions to minimize or eliminate this leakage in order to protect and grow RGGI's climate benefits. Potential solution to leakage could include increased coordination with regional grid operators, as was nascently explored in the PJM grid region,[14] as well as increased investments in in-state renewable energy and energy efficiency to provide local clean energy solutions that reduce the need for energy imports.

b. Price Control Mechanisms

NRDC supports the RGGI states' focus on RGGI's price control mechanisms—the minimum reserve price, ECR, and CCR—and urges the RGGI states to adjust these mechanisms to ensure a strong carbon price signal in the region.

1. Minimum Reserve Price

RGGI's current minimum reserve price of $2.38 per short ton of CO_2 in 2021 (increasing by 2.5 percent per year in future years) is too low. In comparison, California's equivalent minimum reserve price for a short ton of CO_2 under its state cap-and-invest program is $16.07 per ton in 2021,[15] revealing a wide gap in program ambition.

While RGGI's allowance auctions have been clearing above the minimum reserve price in recent years, this has not always been the case.[16] The minimum reserve price is an important program design element and safeguard that ensures there is at least a minimal carbon price signal in the market, below which RGGI carbon allowances will not be sold. In addition to providing this safeguard, the minimum reserve price ensures greater predictability in funding for RGGI program investments in energy efficiency and other programs that benefit consumers. To ensure a strong carbon price signal moving forward, the RGGI states should raise the minimum reserve price as part of this program review.

2. Emissions Containment Reserve

RGGI's ECR provides an additional soft price floor for carbon allowances in the RGGI market by automatically withholding allowances equal to up to 10 percent of RGGI's annual cap if allowance prices fall below predefined trigger price levels. NRDC strongly supported the adoption of an ECR, which is an innovative instrument that shares the benefits of lower-than-anticipated emissions reduction costs between consumers and the environment, at the conclusion of the last program review. Unfortunately, while nearly all RGGI states have adopted the ECR, two states have not: Maine and New Hampshire.

[14] PJM, "Carbon Pricing Senior Task Force," https://www.pjm.com/committees-and-groups/closed-groups/cpstf (accessed November 29, 2021).

[15] California's 2021 auction reserve price is $17.71 per metric ton of CO_2, which translates to $16.07 per short ton (1 metric ton equals 1.10231 short tons). California Cap-and-Trade Program and Québec Cap-and-Trade System, *2021 Annual Auction Reserve Price Notice* (December 1, 2020), https://www.arb.ca.gov/cc/capandtrade/auction/2021_annual_reserve_price_notice_joint_auction.pdf.

[16] RGGI, Inc., "Allowance Prices and Volumes," https://www.rggi.org/Auctions/Auction-Results/Prices-Volumes (accessed November 29, 2021); Acadia Center, *The Regional Greenhouse Gas Initiative: Ten Years in Review*, *supra* note 1, at 4.

In the current program review, we urge the states to universally adopt the ECR, including in Maine and New Hampshire. We also urge the RGGI states to raise the ECR trigger price, which at $6 per ton in 2021, increasing by 7 percent per year in subsequent years, is too low. The minimum reserve price and the ECR work together to provide a stronger carbon price signal in the RGGI region, but if the price thresholds for both are set too low, then these benefits are reduced. A higher ECR trigger price would better help the region capture low-cost carbon pollution reduction opportunities and achieve the ECR's intended purpose of providing benefits to both consumers and the environment. NRDC also recommends that the RGGI states increase the size of the ECR to above 10 percent of the annual RGGI cap so that additional low-cost mitigation opportunities can be captured for consumers and the environment if they are available.

3. *Cost Containment Reserve*

At the conclusion of the first program review, the RGGI states adopted a CCR, which releases additional carbon allowances into the market (thereby suppressing prices) if RGGI allowance auction prices exceed a predefined trigger level in a given year. In theory, the CCR provides a useful market function by acting as a price safety valve in the case of rare and unanticipated circumstances that could lead to spikes in allowance prices. Unfortunately, as currently designed, the CCR is a highly problematic instrument because it releases additional allowances that are on top of the regional carbon pollution cap whenever it is triggered. Rather than simply addressing near-term price concerns, the CCR undermines RGGI's long-term climate goals. When it was triggered in 2014 and 2015, the CCR resulted in the release of 15 million tons of excess carbon allowances, greatly weakening RGGI's cap.

During the last program review, the RGGI states adopted reforms to the CCR, including reducing its size (now capped at 10 percent of the annual cap, similar to the ECR) and raising its trigger prices. Unfortunately, while these changes were improvements to the CCR, they failed to address the threat of the CCR undermining RGGI's climate goals: CCR allowances are still released above the cap, with no built-in future adjustments to get the region back on track. At $13 per ton in 2021 (increasing by 7 percent per year in subsequent years), the CCR's trigger price also remains too low, making the CCR too easy to trigger. In comparison, California's climate program won't even sell carbon allowances for less than $16 per ton, while RGGI's $13 per ton CCR trigger price erroneously suggests that a carbon price of this level, which is well below the federal government's calculation of the Social Cost of Carbon, is too high.[17]

NRDC urges the RGGI states to be more ambitious and to adopt additional, long overdue CCR reforms. This includes bringing CCR allowances underneath the cap, such as by deducting any allowances released under the CCR from future years' allowance budgets. Reforming the

[17] The Social Cost of Carbon is "the monetary value of the net harm to society associated with adding a small amount of that GHG to the atmosphere in a given year." The current U.S. interim estimated social cost of carbon developed by the federal Interagency Working Group on Social Cost of Greenhouse Gases is approximately $51 per metric ton, or $46.27 per short ton. Interagency Working Group on Social Cost of Greenhouse Gases, *Technical Support Document: Social Cost of Carbon, Methane, and Nitrous Oxide Interim Estimates under Executive Order 13990* (February 2021), at 2, 5, http://www.whitehouse.gov/wp-content/uploads/2021/02/TechnicalSupport Document_SocialCostofCarbonMethaneNitrousOxide.pdf.

CCR in this way would preserve the mechanism's price relief function while protecting RGGI's overall climate goal.[18] The RGGI states should also raise the CCR's trigger price to ensure that this mechanism is triggered only rarely in response to truly unanticipated market conditions and is not triggered more frequently as result of normal and beneficial market activity that is needed to decarbonize the power sector and provide climate change mitigation benefits to the region.

Importantly, the CCR is not the only tool that states have to address energy costs and affordability under RGGI. RGGI already includes multiple other flexibility mechanisms in its program design, including three-year compliance periods, which enable regulated power plants to address market fluctuations and allowance obligations over multiple years, and unlimited allowance banking. By investing RGGI allowance proceeds in programs like energy efficiency, the RGGI states have also for years successfully *lowered* consumers' energy bills, even as RGGI has made it more expensive for polluting power plants to operate in the region.[19] Analysis from Acadia Center shows that electricity prices have fallen in the region since the RGGI program began, even as prices have increased in other states that do not have carbon pricing programs.[20] Far from costing consumers, RGGI has been a *net boon* for the region and states' economies.[21] RGGI's flexible design and strong economic performance over more than a decade should give the states confidence to make the necessary CCR reforms described above.

c. Investment of RGGI Proceeds

Under RGGI, decisions about the investment of RGGI proceeds are left up to individual states, subject only to the regional requirement that each state allocate a minimum of 25 percent of its carbon allowance proceeds in a "consumer benefit or strategic energy purpose." RGGI states' annual investment reports show that, historically, the states have invested nearly all RGGI allowance proceeds in programs that benefit consumers, including energy efficiency, renewable energy, and bill assistance programs.[22] A deeper look at states' investments and the distribution and equity of investment benefits has not, however, not been a subject of previous RGGI program reviews.

NRDC supports examining RGGI's investment priorities in the program review and consideration of additional safeguards and requirements to ensure that states' RGGI investments prioritize benefits to disadvantaged communities. In particular, we support a review of past state spending of RGGI proceeds to understand its equity impacts; current state requirements, including legislative and regulatory mandates, where they exist, to address equity in RGGI

[18] NRDC and others have previously recommended this change. *See, e.g.*, Joint Comments (45 Environment and Health Organizations) (June 27, 2017), at 8, https://www.rggi.org/sites/default/files/Uploads/Program-Review/6-27-2017/Comments/Joint_Environment_Health_Comments.pdf.

[19] RGGI, Inc., "Investments of Proceeds," *supra* note 3.

[20] Acadia Center, *The Regional Greenhouse Gas Initiative: Ten Years in Review*, *supra* note 1, at 8.

[21] *Id.* at 6-7.

[22] *See* RGGI, Inc., "Investments of Proceeds," *supra* note 3.

spending; and potential reforms to state investment processes and priorities. We are pleased to see that the RGGI states have put these issues on the table as proposed topics for the review.[23]

Data from the RGGI states show that RGGI's allowance auctions have already raised over $4 billion for investments in clean energy programs like energy efficiency and new renewables that have saved consumers more than a billion dollars on their energy bills.[24] Already-installed RGGI-funded measures like home weatherization will also ultimately save consumers more than $13 billion.[25] These data show that RGGI has provided significant value to consumers and the region at large, but they do not speak to the distribution and equity of RGGI program investments, including to what extent RGGI states' bill-saving investments have prioritized alleviating energy poverty and ensuring energy affordability for low-income households. Nor do these aggregate data reveal to what extent the benefits of RGGI are felt by communities most impacted by power plant pollution and the dangers of climate change. Understanding the equity impacts of past and ongoing RGGI investments and identifying areas for improvement should be a central focus of the program review.

NRDC urges the RGGI states to engage on these issues in the program review and to work with environmental justice advocates and others to ensure that environmental justice and equity are at the heart of RGGI's implementation and design, including when it comes to spending. Consistent with President Biden's Justice40 Initiative for federal climate and clean energy investment, the RGGI states should commit to allocate no less than 40 percent of the benefits from RGGI climate investments to disadvantaged communities. We cite 40 percent here as a minimum level for discussion and do not intend this number to imply that higher levels of investment should not also be considered in the review. NRDC strongly supports, for example, Virginia's state statutory commitment to invest 50 percent of its state RGGI allowance proceeds in low-income energy efficiency programs. We note as well that organizations representing frontline communities in Pennsylvania are recommending in their comments that a minimum of 50 percent of RGGI auction proceeds be invested in disadvantaged communities regionwide and that such investments prioritize programs that are administered by local, community-based organizations and measurably improve the availability of energy efficiency and usage reduction assistance for low-income households.

[23] RGGI, Inc., *RGGI Program Review: Topics for Public Consideration*, *supra* note 5, at 1-2.

[24] RGGI's investment reports report already realized energy bill savings of $618,100,000 from 2009-2014, $154,500,000 in 2015, $150,500,000 in 2016, $128,704,015 in 2017, $113,711,413 in 2018, and $112,183,893 in 2019, for a total of $1,277,699,321. RGGI, Inc., *Investment of RGGI Proceeds through 2014* (September 2016), at 8, https://www.rggi.org/sites/default/files/Uploads/Proceeds/RGGI_Proceeds_Report_2014.pdf; RGGI, Inc., *Investment of RGGI Proceeds in 2015* (October 2017), at 6, https://www.rggi.org/sites/default/files/Uploads/Proceeds/RGGI_Proceeds_Report_2015.pdf; RGGI, Inc., *Investment of RGGI Proceeds in 2016* (September 2018), at 6, https://www.rggi.org/sites/default/files/Uploads/Proceeds/RGGI_Proceeds_Report_2016.pdf; RGGI, Inc., *Investment of RGGI Proceeds in 2017* (October 2019), at 6, https://www.rggi.org/sites/default/files/Uploads/Proceeds/RGGI_Proceeds_Report_2017.pdf; RGGI, Inc., *Investment of RGGI Proceeds in 2018* (July 2020), at 6, https://www.rggi.org/sites/default/files/Uploads/Proceeds/RGGI_Proceeds_Report_2018.pdf; RGGI, Inc., *Investment of RGGI Proceeds in 2019* (June 2021), at 6, https://www.rggi.org/sites/default/files/Uploads/Proceeds/RGGI_Proceeds_Report_2019.pdf.

[25] Per RGGI's investment reports, lifetime energy bill savings from RGGI investments made between 2009 and 2019 total $13,462,910,994. *Id.*

d. Offsets

NRDC supports the RGGI states' proposal to examine offsets and their role in the RGGI program going forward as part of the program review.

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Thank you for providing an opportunity to submit these comments. NRDC looks forward to RGGI states' responses to our and others' stakeholder comments and to continuing to work together to strengthen and improve the RGGI program in the next phases of the program review.

Sincerely,

/s/ Bruce Ho

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