



March 23, 2009

NYSERDA
New York State Energy Research and Development Authority
RGGI Programs
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Albany, New York 12203-6399

By post and e-mail: rggiprograms@nyserda.org

Re: Comments on the February 25th draft of the "Operating Plan for Investments in New York under the CO₂ Budget Trading Program and the CO₂ Allowance Auction Program"

To Whom it May Concern:

The Natural Resources Defense Council ("NRDC") respectfully submits these comments on the Draft "Operating Plan for Investments in New York under the CO₂ Budget Trading Program and the CO₂ Allowance Auction Program" (hereafter referred to as "Draft Plan"). We commend NYSERDA for undertaking this large and important task of directing how the New York State share of CO₂ allowance auction proceeds from the Regional Greenhouse Gas Initiative (RGGI) will be invested.

NRDC believes global warming is the most serious environmental threat of our time. We have made it our top institutional priority to find answers for this problem to prevent the more serious consequences of unmitigated anthropogenic climate change. The opportunity that now lies before New York State, afforded by the millions of dollars in RGGI auction proceeds, provides a valuable opportunity to lead the nation in showing how the state will effectively transition toward a clean energy future. Through NRDC's longstanding relationship with NYSERDA to advise and assist in the development and deployment of numerous innovative and effective clean energy programs, we mutually understand that cost-effective energy efficiency and renewable energy deployment programs¹ are among the key drivers in leading New York State's transition towards a clean energy future.

NRDC has reviewed the Draft Plan and have summarized our comments as follows:

(1) Further clarification is needed on the overall goals and implementation

¹ McKinsey and Company; *Reducing U.S. Greenhouse Gas Emissions: How Much at What Cost?*; November 2007.
<http://www.mckinsey.com/client-service/ccsi/greenhousegas.asp>

procedures of the Competitive Greenhouse Gas Reduction Bidding Program (CGGRBP); as drafted, many questions remain on the overall purpose and aims of such a program. While certainly a laudable goal to attempt to abate a larger number of greenhouse gas emissions from other sectors, the NY auction proceeds should be used to reduce the costs of the program to consumers. NRDC believes that the budget assigned to the Competitive Greenhouse Gas Reduction Bidding Program could yield more benefits for the state if it were assigned to a clean energy finance facility such as a residential loan guarantee program described in number (2).

As currently drafted, the CGGRBP will likely cause unnecessary confusion in the marketplace. The RGGI rule has already delineated a number of project protocols under which proponents could reduce greenhouse gas emissions from other sectors and receive offset allowances, which can be sold into the RGGI market. Those offset allowances provide a valuable flexibility mechanism for regulated entities while ensuring that GHG reductions actually occur. Also, the offset allowances already provide a significant incentive for GHG reductions in other sectors.

The CGGRBP proposal would likely present significant additionality problems in that it would be very difficult to prove that emission reductions offered by potential bidders would not have occurred but for the program. Furthermore, significant issues with verification of emission reductions, enforceability of measures and the permanence of those actions suggest that there are better uses for this money. NYSERDA should not use the auction revenue to muddy the water in the offset markets. Instead the funds should be used to ensure that the program costs are minimal to ratepayers.

- (2) **At least \$25 million per year for at least five years from RGGI-allowance auction proceeds should go toward a residential efficiency financing program (for loan guarantees), matched with same amount from the New York State electric and natural gas Systems Benefit Charge (SBC).** Funding for such a program could be realized by reallocating the \$41 million total from the CGGRBP, combined with the current Revolving Loan Fund within the Municipal and Institutional Climate Change Program, which allocates approximately \$8 million per year. We think that a more focused residential clean energy finance program (whether a revolving loan fund or efficiency-debt securitization to back private lending institutions for example) can yield a highly cost effective ratio of 10-to-1 or more in leveraging of public dollars to spur private investment in energy efficiency and renewable energy projects for residential dwellings throughout NYS.
- (3) **Increase funding for solar thermal technologies to at least \$5 million per year.** This will not only help build a more robust consumer market for these highly cost effective technologies, but signals to manufacturers that the leading NYS clean energy technology deployment entity—NYSERDA—is willing to commit a long-

term investment to this market-proven and cost-effective renewable energy technology.

- (4) **Increase the funding of the Solar Photovoltaic Distribution Integration program to at least \$5 million per year.** Much potential exists throughout New York State and New York City in particular, to install solar PV in specific areas that have acute electric grid-resource sensitivity when summer peak demand events occur. In addition, such solar PV installations could offset more costly utility grid infrastructure development projects as well as mitigate unhealthy local and regional pollution impacts that result from dirty oil- and gas-fired generators that are currently employed during emergency demand periods.
- (5) **Additional clarity is needed on how NYSERDA will work with the New York State Dept. of Environmental Conservation (DEC) Office of Climate Change in coordinating these program activities moving forward.** This will not only help prevent possible duplication of efforts on the development, implementation, administration, and evaluation of programs, but ensure that ongoing efforts addressing greenhouse gas mitigation and climate change research are done in accordance with the aims of achieving the maximum environmental, economic, and public health benefits for the citizens of NYS.

We look forward to further engagement with NYSERDA management and staff in following up on our comments on this Draft Plan. We all agree that this represents a very important opportunity and decision point for NYSERDA to help put the New York State on the map as a national and world leader in the development and implementation of programs that will ensure an effective transition toward a clean energy future.

Thank you for considering these comments.

Respectfully Submitted,

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Natural Resources Defense Council