Comments to the Virginia Air Pollution Control Board
On behalf of
The Nature Conservancy Virginia Chapter
By Lena Lewis
Energy and Climate Policy Manager
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The Nature Conservancy strongly supports RGGI.

Thank you for the opportunity to comment on the proposal to repeal Virginia's participation in the Regional Greenhouse Gas Initiative (RGGI). As a strong supporter of RGGI, The Nature Conservancy opposes this proposal.

The Nature Conservancy is a global conservation organization. We have chapters in all 50 states and our work extends around the globe into 79 countries and territories. As an organization that relies on a science-based, collaborative approach, we believe the science is clear that climate change poses a significant threat to our communities, our economy, and to nature itself. We must reduce carbon emissions quickly and affordably while ensuring that no one is left behind in the transition to a clean energy economy. Virginia's participation in RGGI and use of RGGI revenue fit these criteria.

By putting a price on carbon, RGGI is an effective policy for reducing carbon dioxide from the power sector in a transparent, economically-efficient manner. Even when the cost of allowances is passed on to ratepayers, RGGI influences monopoly investor-owned utilities to generate lower-carbon electricity.

Another important benefit of RGGI is that the revenue it creates can help over 100,000 low-income Virginia households reduce their energy bills by hundreds of dollars a year. If Virginia withdraws from RGGI, there is no alternative source of these energy efficiency funds.

RGGI fights climate change as an essential part of cumulative action.

RGGI is reducing total collective carbon dioxide emissions from participating states' power sectors by 30% over 10 years. While RGGI *alone* will not lessen the effects of climate change, that is not a reason for Virginia to withdraw from RGGI. Every country, state, and locality has the responsibility to develop and execute a plan to substantially reduce their greenhouse gas emissions to avoid the worst impacts of climate change. We can only achieve this goal if we all work together. Virginia cannot excuse ourselves from acting by saying individual states' actions alone are insufficient. Virginia must continue to lead by participating in RGGI and other effective policies, so that other governments will follow, and together our actions will add up to a positive impact.

RGGI works to reduce carbon dioxide emissions through pooling resources and scaling up.

Carbon dioxide is an unusual pollutant in that it is not locally dangerous but instead is globally dangerous in high concentrations. We therefore need to ensure that we are reducing overall levels, not local levels.[1] By Virginia pooling our power sector carbon dioxide emissions with those of other participating states, we ensure that we are reducing the *regional* carbon dioxide emissions in the most

economically efficient manner possible. For the entire region, overall carbon dioxide emissions drop each year because the number of total RGGI allowances drops each year.[2]

RGGI is transparent and provides certainty for regulated businesses.

The process of bidding for allowances is entirely transparent, reliable, and fully visible on the RGGI, Inc. website. Businesses thrive on certainty. When qualifying businesses know their state participates in RGGI, they can plan for purchasing allowances. When businesses know that it costs more to emit carbon dioxide, they have a reason to find ways to emit less.

RGGI drives Virginia utilities to use lower-carbon energy sources.

The cost of allowances directly affects utilities' decisions about which types of energy to generate and sell into the PJM market. When a monopoly investor-owned utility generates electricity, it doesn't sell it directly to its captive customers. It sells the electricity on the multistate PJM market alongside other generators; then the same utility buys the electricity back from the PJM market alongside other utilities in the PJM territory. This leads to a fair market price. The generators who bid their electricity into the market at the lowest price are first in line to sell it (and the way this particular market works, they also get the highest profit). Except on high-demand days, the electricity that is very expensive to generate doesn't get bought. RGGI allowance prices are added into the costs of a Virginia utility's generated electricity, making its bids on the PJM market more expensive.[3] *This gives a Virginia utility the incentive to generate cleaner energy so that it does not need to pay for as many RGGI allowances, and it can move to the front of the line to sell its cheaper energy in the PJM market*.

This result happens even as a utility passes the cost of allowances on to its customers. Monopoly utilities pass the cost of everything on to their customers - the cost of transmission lines, new power plants, and the volatile cost of fossil fuels - but the PJM market gives them an incentive to keep their prices low. RGGI incentivizes utility generators to shift to lower-carbon electricity to keep their bids low.

Without RGGI, the funding for energy efficiency for low-income households has been and will be insufficient.

The need for energy efficiency for low-income housing is enormous, vastly exceeding current funding. Approximately 579,0000 low-income households are located in Virginia census tracts where the average energy burden for low-income households is high.[4]

The funding for low-income energy efficiency from non-RGGI sources, including utility programs, federal programs, and state programs, is expected to total $55 million annually for the next few years.[5] RGGI revenue for low-income energy efficiency is more than double that annually, averaging $125 million per year so far. If Virginia stays in RGGI through 2030, RGGI funds could directly improve the energy efficiency of over 100,000 low-income Virginia households, saving them an average per household of $540 annually on energy bills.[6]

DEQ's assertion in response to public comments that "The Virginia General Assembly will also fund important resiliency and energy efficiency programs in future sessions" was not borne out in the 2023

Session of the General Assembly.[7] No additional energy efficiency programs were proposed or funded. The Governor's Budget proposed diverting $11.4 million of RGGI revenues away from DHCD's HIEE program, and the House version of the budget expanded that to $18 million.[8] At the time of this writing, the budget has not been finalized.

RGGI is working, and Virginians support it.

RGGI has a well-established record of lowering carbon emissions in participating states without increasing energy bills or lowering state GDP compared to non-RGGI states.[9] In spite of the monopoly status of Virginia's utilities, RGGI's design *does* influence their decisions about which type of energy to generate, based on its impact on bid prices on the PJM market. RGGI is a much-needed additional source of funds for low-income energy efficiency in Virginia to lower both energy bills and carbon pollution. Sixty-six percent of Virginia voters support staying in RGGI.[10] For the good of the Commonwealth, please keep Virginia in RGGI.

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[1] Though RGGI has the co-benefit of lowering air pollutants other than carbon dioxide, RGGI alone is insufficient to regulate localized air pollution levels. Virginia has the responsibility to ensure that local levels of other air pollutants are healthy for all Virginians.

[2] While there are many details to the mechanics of the RGGI program, this is the essence of how it works.

[3] Vogelsong, Sarah (March 18, 2022) "Youngkin Says RGGI Won't Cut Emissions. Critics Say His Own Report Shows He's Wrong." Virginia Mercury. March 18, 2022. https://www.virginiamercury.com/2022/03/18/youngkin-says-carbon-market-wont-work-to-cut-emissions-critics-say-his-own-report-shows-hes-wrong/.

Matzen, Jeffery (Dec 6, 2021) Direct Testimony of Jeffrey D. Matzen on Behalf of Virginia Electric and Power Company Before the State Corporation Commission of Virginia CASE NO. PUR-2021-00281
https://scc.virginia.gov/docketsearch/DOCS/65%40801!.PDF

> **"Q. Did Virginia joining RGGI affect the dispatch of the Company's generation units?**
> A. Yes, it did. Regulated sources (i.e., the Company's carbon-emitting generating units that are subject to RGGI) must purchase a CO2 allowance for every CO2 short ton emitted during a specific compliance period. Therefore, a CO2 cost is added to Virginia regulated fossil units in both the PJM Interconnection, LLC bids and the PLEXOS forecasting model. All else equal, adding the cost of CO2 allowances to carbon-emitting generating units that are subject to RGGI results in those units dispatching less."

[4] Pitt, Damian, et. al (January, 2023). Investing In Virginia Through Energy Efficiency: An Analysis of the Impacts of RGGI and the HIEE Program. https://rampages.us/wilderresearch/wp-content/uploads/sites/37363/2023/01/Pitt-et-al.-2023-Analysis-of-the-Impacts-of-RGGI-and-the-HIEE-Program-1.pdf

[5] Ibid.

[6] Ibid., adjusted to 2022 dollars

[7] DEQ (Dec 7, 2022) Proposed Regulation Agency Background Document, Repeal CO2 Budget Trading Program as required by Executive Order 9 (Revision A22).
https://townhall.virginia.gov/L/GetFile.cfm?File=1\6082\9879\AgencyStatement_DEQ_9879_v1.pdf page 11

[8] 2023 Budget Amendment HB1400(Committee Approved) Item 114 #1h
https://budget.lis.virginia.gov/amendment/2023/1/HB1400/Introduced/CA/114/1h/

[9] Acadia Center. (2019) The Regional Greenhouse Gas Initiative: 10 Years in Review.
https://acadiacenter.org/wp-content/uploads/2019/09/Acadia-Center_RGGI_10-Years-in-Review_2019-09-17.pdf

[10] Watson Center (January 27, 2023) State of the Commonwealth 2023.
https://cnu.edu/wasoncenter/surveys/archive/2023-01-27.html