



The State of New Hampshire  
**DEPARTMENT OF ENVIRONMENTAL SERVICES**



**Thomas S. Burack, Commissioner**

April 21, 2011

The Honorable Bob Odell, Chairman  
Senate Energy and Natural Resources Committee  
Legislative Office Building, Rooms 201/203  
Concord, NH 03301

Re: HB 519-FN relative to Repealing New Hampshire's Regional Greenhouse Gas Initiative (RGGI) Program

Dear Chairman Odell and Members of the Committee:

Thank you for the opportunity to comment on behalf of the Department of Environmental Services (DES) regarding House Bill 519-FN as introduced in the Senate, which seeks to repeal New Hampshire's Regional Greenhouse Gas Initiative (RGGI) program. Given the negative environmental and economic impacts of RGGI repeal, DES does not support the bill as written. However, in the spirit that there is no program that could not be improved, DES could support an amended bill that reforms, rather than repeals, RGGI as implemented in NH and remains consistent with the 10 state RGGI Memorandum of Understanding<sup>1</sup>. Potential topics for revisions that could be considered could include how the Greenhouse Gas Emissions Reduction Fund (GHGERF) is administered and allocated and additional considerations as to how to mitigate electricity rate impacts specific to New Hampshire ratepayers.

RGGI<sup>2</sup> is a flexible, market-driven policy that begins to address the issue of climate change by capping and then modestly reducing regional CO<sub>2</sub> emissions from large fossil-fueled power plants. The policy puts the electricity industry on a path toward reducing long-term energy costs by greater investment in energy efficiency and creates a market signal that encourages development of cleaner energy sources and more local energy sources, thereby increasing New Hampshire's energy independence.

There are several significant benefits to continuing RGGI in New Hampshire. First, and foremost, is that New Hampshire is economically better off participating in RGGI than not. Approximately half of the state's power consumption is purchased from the 6-state New England regional grid and the costs of RGGI implementation in the other nine states is reflected in the regional electricity rate. Should New Hampshire withdraw from RGGI, DES and PUC estimate

<sup>1</sup> 2005 see <http://rggi.org/design/history/mou>

<sup>2</sup> RGGI Fact Sheet, RGGI, Inc. website [http://www.rggi.org/docs/RGGI\\_Fact\\_Sheet.pdf](http://www.rggi.org/docs/RGGI_Fact_Sheet.pdf)

this ongoing additional cost to be approximately \$5.6 million to New Hampshire ratepayers. If New Hampshire continues its participation, the state would realize an estimated \$12 million from the sale of RGGI allowances allocated to New Hampshire to offset this additional cost, and reinvest the proceeds in energy efficiency measures.<sup>3</sup>

Although RGGI is clearly intended to address climate change, it is important to understand that only after significant study and debate, New Hampshire opted into RGGI as a “no regrets” policy that directly benefits the state both economically and from an energy independence perspective. These conclusions remain fundamentally sound today, whether or not one believes that climate change induced by emissions of greenhouse gases from human activity is occurring or not. While both DES and the Public Utilities Commission participated in the development of RGGI, we did not endorse joining until we were certain that the program met our state’s needs and would not impose economic hardship on New Hampshire citizens and ratepayers.

To this end, New Hampshire was one of the last states to join RGGI, and we did so only after a UNH economic study confirmed that New Hampshire would be better off participating in RGGI than not, and RGGI would have a net positive impact on New Hampshire’s economy as well as help to stabilize, and over the longer term, reduce the state’s electricity costs. Even then, New Hampshire’s enabling legislation enacted several safeguards to additionally protect the state from potential unintended consequences of any significant market volatility. (Attached is a summary of the UNH analysis to help you better understand the economic and energy impacts of the initial RGGI grants.)

There are several additional significant benefits to New Hampshire’s continuing participation in RGGI that make it an economic and environmental “win-win,” a pro-business strategy that:

- helps to mitigate and ultimately reduce long-term energy costs via greater investment in energy efficiency;
- creates a market signal that encourages development of cleaner and, in many cases, more local energy sources;
- increases our energy independence with more local energy sources, thus keeping more energy dollars local;
- starts to reduce greenhouse gas (GHG) emissions to avoid the most deleterious projections of climate change impacts;
- increases economic opportunities for NH businesses for development of clean energy technologies; and

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<sup>3</sup> *Economic Impact in New Hampshire of the Regional Greenhouse Gas Initiative (RGGI): An Independent Assessment*,— University of New Hampshire (Gittell and Magnusson January, 2008) website [http://des.nh.gov/organization/divisions/air/tsb/tps/climate/rggi/documents/unh\\_rggi\\_study.doc](http://des.nh.gov/organization/divisions/air/tsb/tps/climate/rggi/documents/unh_rggi_study.doc)

- places NH generators in an advantaged position to respond to future federal policies and better manage carbon constrained energy markets.

Market-based implementation has resulted in competition, efficiency, and innovation that have delivered emission reductions at the lowest possible cost. New Hampshire's participation has allowed the state to distribute the cost impact of RGGI implementation throughout the rest of the ten state region, as compliance costs have been reflected in the ISO-NE regional wholesale price of electricity. This has been accomplished through the creation of a state fund to increase energy efficiency from the sale of RGGI allowances.

One criticism heard during the House debate was that investments of state proceeds from RGGI allowance auctions are somehow perceived as beneficial only to those individuals, municipalities, and businesses directly receiving RGGI grants. To the contrary, any investment of RGGI proceeds toward energy efficiency directly benefits all New Hampshire citizens and ratepayers by reducing the overall demand for electricity, which in turn reduces the additional capital investment needed by electricity providers to meet increased demand. In particular, the high cost of "peaking" plants to meet demands on the hottest days of the year are reduced or avoided. All of these costs are ultimately passed on to all New Hampshire consumers and keeping them low is in the best interests of all citizens, businesses, and municipalities. Thus, investments in energy efficiency ultimately reduce costs for everybody.

Pursuant to RSA 125-O:21 III, revenues from the sale of allowances have been placed in a fund administered by the Public Utilities Commission (PUC) and to date have been used primarily for energy efficiency, because that will yield long term energy savings and further reduce emissions, making future compliance easier. In any grant award process it is important to remember that there will always be "winners" and "losers", and those not receiving grants may question the evaluation process. While DES believes that PUC staff have done an admirable job administering the Greenhouse Gas Emission Reduction Fund (GHGERF) proceeds, there is always a legitimate conversation to be had over the statutory requirements for investment of the funds and oversight of the process used to award grants. DES stands ready and willing to discuss any suggestions for improving this process. Any reform should include as basic principles 1) reaffirming that all allowance auction proceeds are directed to energy efficiency investment and 2) honoring all previously approved contracts for GHGERF funds awarded by PUC and approved by the Executive Council.

Concern has also been expressed that there is little that New Hampshire alone could do to reduce carbon emissions that would have any significant impact on climate change. This is exactly why RGGI was conceived. The 10 RGGI states represent the 7<sup>th</sup> largest economy in the world when considered as a region, and our joint efforts under this initiative will reduce regional emissions from the power generation sector of 188 billion tons of CO<sub>2</sub> by 10% or 19 million tons. This is a very significant reduction and, in conjunction with other measures, will help the region achieve our joint climate goals while helping to secure energy independence and promote the transition to a new energy economy with associated job creation.

Implementing RGGI for New Hampshire is good policy, as it makes sense both economically and environmentally. Stabilizing and then modestly reducing emissions of CO<sub>2</sub> that contribute to climate change is reasonable step as part of a "no regrets" climate and economic policy. The RGGI Program, through the market signals it sends, has begun the process of creating a long term climate change action policy<sup>4</sup> for New Hampshire and it should not be repealed.

DES looks forward to working with all who share an interest in energy independence and in addressing climate in New Hampshire and the region. Thank you for the opportunity to provide testimony. Should you have further questions or need additional information please feel free to contact Robert R. Scott, Director, Air Resources Division (271-1088, [rscott@des.state.nh.us](mailto:rscott@des.state.nh.us)).

Sincerely,

  
for Thomas S. Burack  
Commissioner

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<sup>4</sup> *A Climate Action Plan For the State of New Hampshire* released on March 25, 2009  
[http://des.nh.gov/organization/divisions/air/tsb/tps/climate/action\\_plan/index.htm](http://des.nh.gov/organization/divisions/air/tsb/tps/climate/action_plan/index.htm)