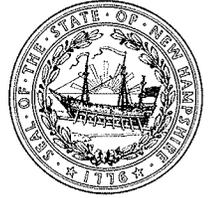




The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

January 22, 2015

The Honorable Robert Introne, Chair
House Science, Technology, and Energy Committee
Legislative Office Building, Room 304
Concord, NH 03301

Re: HB 208, An Act Repealing the New Hampshire Regional Greenhouse Gas Initiative Program

Dear Chair Introne and Members of the Committee:

Thank you for the opportunity to comment on behalf of the Department of Environmental Services (DES) regarding House Bill 208. This bill would repeal New Hampshire's Regional Greenhouse Gas Initiative (RGGI¹) program (pursuant to RSA 125-O:20 through 29) for controlling carbon dioxide (CO₂) emissions from power plants. DES firmly opposes the bill and has consulted closely with the Public Utilities Commission (PUC), which has indicated its concurrence with this testimony, relative to the economic impacts outlined below.

First and foremost, 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 states is reflected in the regional electricity rate. In the attached "*HB 208 RGGI Ratepayer Cost Analysis*"², the PUC estimated the ongoing additional cost to New Hampshire ratepayers, if New Hampshire were to withdraw from RGGI. The PUC also estimated the revenue New Hampshire would realize from the sale of RGGI allowances allocated to New Hampshire to offset this additional cost, by continuing its participation in RGGI. The most beneficial investment of the proceeds would be in energy efficiency measures.³ The cost of RGGI allowances accounted for less than 0.5 percent of average residential retail electricity prices across the nine-state region in 2012.

The RGGI program with CO₂ allowance auctions benefits consumers by harnessing the value of the CO₂ allowances for investment in programs that reduce energy demand, create jobs, and enhance consumers' control over their energy use and costs.⁴ The RGGI states have witnessed a

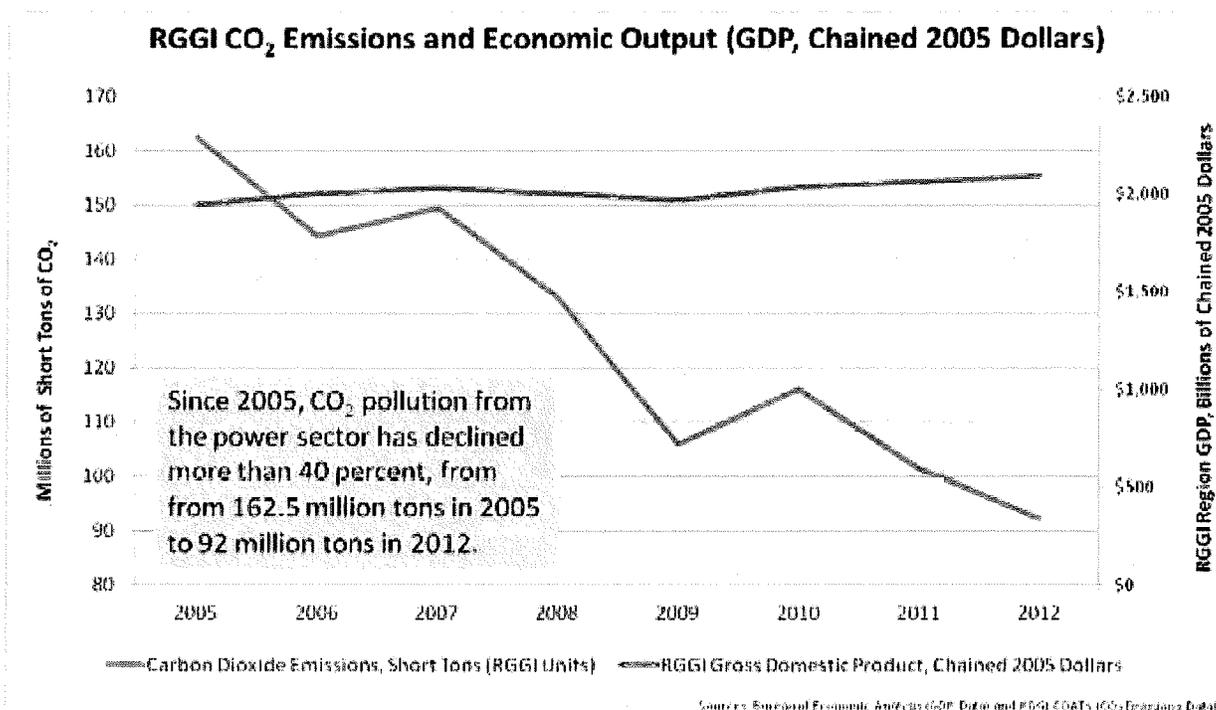
¹ RGGI, Inc. website <http://www.rggi.org>

² *RGGI RATEPAYER COSTS* PUC 2-page handout

³ *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

⁴ *RGGI Fact Sheet: RGGI CO₂ Allowance Auctions*, RGGI, Inc. website http://www.rggi.org/docs/RGGI_Auctions_in_Brief.pdf

significant reduction in power sector CO₂ pollution, even as the regional economy has continued to grow, as shown below⁵:



There are several additional significant benefits to implementing RGGI. The “*NH Greenhouse Gas Emissions Reduction Fund Annual Evaluation (July 2011 – June 2012)*”⁶ indicated that each dollar invested in energy efficiency resulted in \$4.95 in energy savings. An independent report by the Analysis Group⁷ found that the investment of RGGI proceeds from the first three years:

- Generates \$1.6 billion in net economic benefit region-wide through the end of the decade;
- Puts \$1.1 billion in electricity bill savings back into the pockets of consumers in the region over the next decade;
- Creates 16,000 job-years in the region; and

⁵ “*Regional Investment of RGGI CO₂ Allowance Proceeds, 2012*” report February 2014
<http://rggi.org/docs/Documents/2012-Investment-Report.pdf>

⁶ “*NH Greenhouse Gas Emissions Reduction Fund Annual Evaluation (July 2011 – June 2012)*”
http://puc.nh.gov/Sustainable%20Energy/GHGERF/Evaluations/GHGERF_Year%203_annual_report_2011-12_FINAL.pdf

⁷ “*The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States – Review of the Use of RGGI Auction Proceeds from the First Three-Year Compliance Period*” November 15, 2011
http://www.analysisgroup.com/uploadedFiles/Publishing/Articles/Economic_Impact_RGGI_Report.pdf

- Keeps \$765 million in the local economy due to reduced fossil fuel demand.

Market-based implementation results in competition, efficiency, and innovation that deliver emissions reductions at the lowest possible cost. New Hampshire's participation has allowed the state to mitigate the electricity cost impact of RGGI implementation throughout the rest of the region, as most compliance costs have been reflected in the regional wholesale price of electricity. This has been accomplished through increased investment in energy efficiency from the sale of RGGI allowances.

Although RGGI is clearly intended to reduce CO₂ emissions in order to address climate change, it is important to understand that it was only after significant study and debate that 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 one believes that climate change induced by emissions of greenhouse gases from human activity is occurring or not. While both the DES and the PUC participated in the development of RGGI, we did not endorse enactment of a New Hampshire statute until we were certain that the program would meet our state's needs and would not impose economic hardship on New Hampshire's citizens and ratepayers.

New Hampshire was one of the last states to become a participant in RGGI, and we did so only after a University of New Hampshire economic study confirmed that New Hampshire would be better off participating in RGGI than not, and that 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 includes several safeguards to additionally protect the state from potential unintended consequences of any significant market volatility. In addition, a contingent repeal clause was added to chapter law as a legislative compromise in 2012, such that if one large New England state or two New England states withdraw from RGGI, then New Hampshire would also withdraw.

One criticism heard during previous year's House debates was that investments of state proceeds from RGGI allowance auctions are perceived as beneficial only to those individuals, municipalities, and businesses directly receiving RGGI grants. To the contrary, any investment of RGGI proceeds in 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, so keeping them low is in the best interests of all citizens, businesses, and municipalities. Thus, investments in energy efficiency ultimately reduce costs for everybody.

While DES continues to support investment in energy efficiency as the best long-term approach, DES recognizes that some may favor ratepayer rebates as a short-term approach. DES supports a ramp up (and eventual removal) of the current \$1 per allowance threshold, such that greater investment in energy efficiency is realized. DES does support prioritized distribution of rebates to those customers (i.e., low-income residential customers) that need rebates the most, followed

by programs for municipal and local government energy efficiency projects. DES supports investment of the remaining funds in energy efficiency and looks forward to the opportunity to commenting on any alternative bill that may be introduced.

Another concern that many have previously expressed is 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 RGGI states represent the 7th largest economy in the world when considered as a region, and our joint efforts under this initiative will reduce annual regional emissions of CO₂ from the power generation sector by 2.5% per year at least through 2020. In fact, since the inception of RGGI in 2009, regional CO₂ emissions have already fallen by more than 40% from 2005 levels. New Hampshire CO₂ emissions have also fallen by more than 40% (i.e., from 8,972,027 tons in 2005 to 4,642,898 tons in 2012) as well. This is a 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.

Lastly, the RGGI States may not be acting alone in the future. The United States Environmental Protection Agency (EPA) has proposed a national Clean Power Plan to reduce carbon dioxide pollution from power plants. New Hampshire's participation in RGGI may allow it to meet these proposed new requirements as part of a regional cost effective, market-based program.

Implementing RGGI for New Hampshire is good policy, as it makes sense both economically and environmentally. New Hampshire does not operate in a vacuum, but rather is directly affected by the decisions made by other states. If New Hampshire alone were to discontinue its participation in RGGI, it would still incur the costs of the RGGI program without receiving any financial benefit. The RGGI program well positions the state onto the road to energy independence and a cleaner environment.

Thank you for your consideration in this matter. If you have questions or need additional information, please contact either Michael Fitzgerald, Assistant Director, Air Resources Division (271-6390, michael.fitzgerald@des.nh.gov) or Craig Wright, Director, Air Resources Division (271-1088, craig.wright@des.nh.gov).

Sincerely,



Thomas S. Burack
Commissioner

cc: Sponsors of HB 208