



The State of New Hampshire
Department of Environmental Services



Robert R. Scott, Commissioner

January 22, 2019

The Honorable Martha Fuller Clark
Chair, Energy and Natural Resources Committee
State House, Room 103
Concord, New Hampshire 03301

Re: Senate Bill 24, relative to New Hampshire's Regional Greenhouse Gas Initiative

Dear Chair Fuller Clark and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 24. This bill seeks to revise New Hampshire's Regional Greenhouse Gas Initiative (RGGI¹) cap and trade program for controlling carbon dioxide (CO₂) emissions. Proposed revisions to the state's RGGI program were considered in the context of the statutorily required 2016 comprehensive review of New Hampshire's RGGI program (pursuant to RSA 125-O:27). The New Hampshire Department of Environmental Services (NHDES) requested and supports this bill.

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 regional electricity rates. Passage of this legislation allows New Hampshire to continue its participation in RGGI and receive allowance auction revenues, while moderating implementation costs to New Hampshire ratepayers.

On December 19, 2017, the participating RGGI states proposed revisions to the RGGI Model Rule. After extensive stakeholder meetings, the 2016 RGGI program review concluded that the regional emissions cap should continue to decline post-2020 through 2030 to continue to send the appropriate market price signals to encourage further reductions necessary to achieve long-term climate goals. These proposed revisions would lower the regional cap, as well as each state's apportioned allowance budget. Proposed changes are described in the attached Model Rule Updates Summary.

¹ RGGI Program Overview, <https://www.rggi.org/program-overview-and-design/elements>

DES Web site: www.des.nh.gov

P.O. Box 95, 29 Hazen Drive, Concord, New Hampshire 03302-0095

Telephone: (603) 271-1270 • Fax: (603) 271-1381 • TDD Access: Relay NH 1-800-735-2964

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It should be noted that New Hampshire does not intend to implement two of the revisions that other participating RGGI states are proposing to implement. First, New Hampshire is proposing to maintain its current glide path for reducing our annual budget, resulting in a 2.275 million ton decline in the regional cap annually, including in 2021. Seven other states are proposing to lower their budgets slightly further in 2021, such that the overall reduction in the regional cap from 2020 to 2030 is 30%. Second, seven of the participating states are proposing to establish an Emissions Containment Reserve (ECR). Up to 10% of the allowances in their base budgets would be withheld from circulation to secure additional emissions reductions if prices fall below established triggers. This is a new program component intended to reduce the amount of future bank adjustments.

Thank you again for the opportunity to comment on SB 24. Should you have further questions or need additional information, please feel free to contact either Michael Fitzgerald, Assistant Director of the Air Resources Division (271-6390, michael.fitzgerald@des.nh.gov) or Joe Fontaine, RGGI Program Manager (271-6794, joseph.fontaine@des.nh.gov).

Sincerely,



Robert R. Scott
Commissioner

cc: Sponsors SB 24: Senator Bradley