



MID-ATLANTIC ENVIRONMENTAL LAW CENTER

Defending the Mid-Atlantic

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RGGI Work Group: Input on Legislation 12/7/07

Although I could not attend the re-scheduled meeting date of 12/7/07, here are some of my thoughts and preferences on the key agenda items.

Regarding our first charge, to set the percentage of allowances for auction, I think there has to be a presumption in favor of 100% auction. Most if not all of the RGGI states have adopted this approach, and establishing a considerably lower percentage sends the wrong message about Delaware's commitment to addressing carbon. More importantly, a lower percentage limits the influence on energy price signals that the RGGI can achieve. As investment dollars search for a home in the energy sector, if we set a 100% auction, a modest additional cost of doing business will be borne by those generation types that emit high carbon. The 100% auction thus brings the hope that new electrical capacity will be obtained via renewables or lower carbon-emitting sources. In addition, at 100% there is no incumbent benefit enjoyed by the traditional heavy-polluting power stations over upstart technologies. The playing field is leveled to a degree when old and new both have to step up and purchase the needed allowances.

Most of the facilities in Delaware have been around for so long that they are fully amortized and have an advantage over new, cleaner power technologies that must factor into their price structure the cost of the construction. That advantage will remain in place, but at the very least, we can remove the advantage to the old dirtier facilities by denying them the expectation that they will simply inherit the carbon emissions available just because they are the historical heavy emitters of carbon in Delaware.

Another significant consideration is the substantial proceeds from the 100% auction that will be available for services and programs that further lower carbon emissions through energy efficiency or renewables. Specifically, I would suggest about a third for energy efficiency, a third for renewable power projects, 10% for homeowner renewables grants, 10% for public education on connection between global warming and conservation, and 10% grants for trade-in of gas guzzlers by working class families. The SEU should be a recipient for some but not all of the efficiency funds.

I believe it is appropriate for the auction and distribution of proceeds to be administered by DNREC. This is an environmental program with the objective of reducing an air pollutant and DNREC is the state agency in the best position to use the proceeds in ways that will benefit the environment and reduce the risk of catastrophic global warming. The projected administrative costs are not excessive.

I am not as concerned about assistance only going back to electric customers or power companies. My view is if the person or company is doing something pro-active on global warming then we want to encourage that carbon reduction.

Again, it's regrettable I could not join the dialogue at Lukens. But, if consensus cannot be reached on the 100% auction today, then I suggest we pick it up again at another meeting where I will gladly join back in!

Respectfully submitted,

/s/ Michael D. Fiorentino
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Executive Director