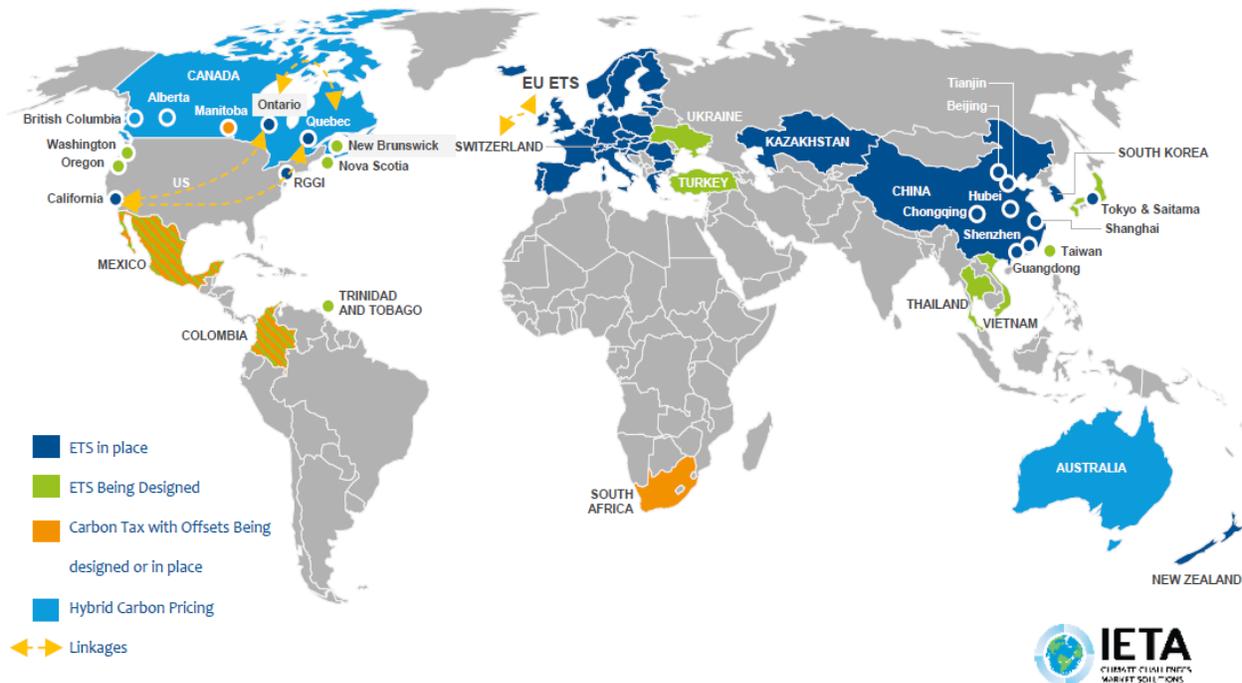


Karen G. Sabasteanski
 Virginia Department of Environmental Quality
 Richmond, VA

IETA LETTER OF SUPPORT FOR 9VAC5-140 Proposed Regulation for Emissions Trading Programs

The International Emissions Trading Association (IETA) welcomes this opportunity to voice strong support for Virginia's Proposed Regulation for Emissions Trading Programs. As a multi-sector, non-profit business organization, we work with governments worldwide to inform the effective design and success of market-based solutions to tackle climate change. IETA members include companies with emitting facilities and clean investments in Virginia, the US northeast and across the continent. Our members include utilities, energy users, businesses delivering climate solutions, and non-profit standards and registries representing the backbone of environmental integrity for environmental markets.

Today, more than 50% of the world's economy is subject to some form of carbon pricing – most of which is under cap and trade systems. This growing coverage includes major international trade partners and the entire Regional Greenhouse Gas Initiative (RGGI) regional collaborative.





We welcome Virginia's climate leadership and commitment to join this growing chorus of countries, states and provinces that are pricing carbon through cap and trade while cooperating with other jurisdictions to meet climate goals at least-cost. IETA now have a library of experience and evidence – across sectors and borders – providing evidence that markets can drive real and verifiable greenhouse gas (GHG) emission reductions, while balancing economic efficiency with social equity and environmental results.

Support for Proposal

IETA enthusiastically supports 9VAC5-140 Regulation for Emissions Trading Programs. Virginia's proposed CO2 Budget Trading Program allows the use of market-based mechanisms and trading of carbon dioxide allowances. It provides an important link to the RGGI's regional cap and trade program, thereby enabling Virginia market participants to have access to a bigger, more efficient market.

If adopted, 9VAC5-140 will allow Virginia to join the other RGGI states as a leader in cutting emissions that lead to climate change and air pollution, while providing opportunities for in-state clean economic growth and business development. The Rule would also provide much-needed regulatory certainty to Virginia's electric generation sector, including a clear price signal and incentive for electricity generators to invest in innovative, lower carbon technologies.

Summary of Benefits

IETA sees the program having four (4) fundamental advantages: flexibility; cost-effectiveness; linkability; and building on the proven success of emissions trading systems globally, including – and most importantly – in the context of the RGGI cap and trade program. Each of these advantages is described in more detail, below.

FLEXIBILITY: While relatively narrow in scope, the cap and trade program accesses regional allowance auctions and gives participants across the RGGI region the opportunity to participate in the Virginia market. This will provide a broad market for program revenue, price discovery, and market liquidity. Issuing allowances to generators based on their current GHG emissions and allowing them to sell excess allowances creates an incentive for generators to be innovative in their carbon reduction, investment and compliance strategies.

COST-EFFECTIVENESS: Compliance flexibility afforded by the cap and trade program will ensure that emission reductions are realized in the most cost-effective manner possible. Various cost-containment design elements, such as an auction reserve price and price ceiling, will guarantee that the carbon price does not go above or below acceptable ranges. By driving the most effective reductions across the power sector without requiring individual regulations, the proposed approach will also reduce administrative burdens for the government.



LINKABILITY: By designing a cap and trade program designed to link with additional jurisdictions, Virginia will be able to take advantage of economies of scale to help generators reduce their cost of compliance while meeting overall GHG reduction goals – all without sacrificing Virginia’s autonomy or ability to act in the best interest of the Commonwealth. Linkability will also allow Virginia to take advantage of systems such as the CO2 Allowance Tracking System (COATS) operated by RGGI, Inc., without the need to develop and operate new systems and infrastructure from scratch. In addition, IETA encourages Virginia to prepare for the future by establishing an offsets policy and framework that could take advantage of existing methodologies developed by RGGI. These future activities could also consider adapting or adopting offset methodologies approved by the Western Climate Initiative (WCI) regional trading program.

TIME-TESTED: Virginia’s proposed cap and trade program closely aligns with the RGGI program. Over nearly a decade, this successful regional program has resulted in significant environmental and socio-economic benefits. RGGI has resulted in emission reductions and driven more than US\$2.76 billion in net economic gains over the life of the program¹.

In sum, Virginia’s cap and trade program can demonstrate that economic growth and carbon reductions can work together. **Now is the time to cement Virginia’s program in place as a key part of the state’s climate policy architecture.** As an organization with members around the globe, IETA is fully aware of the broad and powerful role that programs like cap and trade can play in efforts to address the climate challenge. **Adoption of 9VAC5-140 is a critical step that Virginia must take in order to reduce emissions and air pollution.** Particularly at a time when Washington DC is regressing on climate action and leadership, Virginia’s progress could not occur at a more important time.

We would be pleased to discuss these issues further by phone or in-person. For any questions, contact IETA Managing Director, Katie Sullivan, at sullivan@ieta.org.

Sincerely,

Dirk Forrister
President and CEO
IETA

Cc: Governor Ralph Northam, Virginia Legislature, IETA members

¹ RGGI on the World Stage, Acadia Center June, 2017. http://acadiacenter.org/wp-content/uploads/2017/06/AC_RGGI_on_the_World_Stage_20170626.pdf