

The Role of Energy Efficiency in the Regional Greenhouse Gas Initiatives

Northeast Energy Efficiency Partnership

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Dale S. Bryk
Natural Resources Defense Council

Regional Greenhouse Gas Initiative

Goals:

- **Reduce Carbon Emissions**
- **Low Cost**
- **Drive economic development**
- **Drive technical innovation**
- **Maintain reliability and fuel diversity**

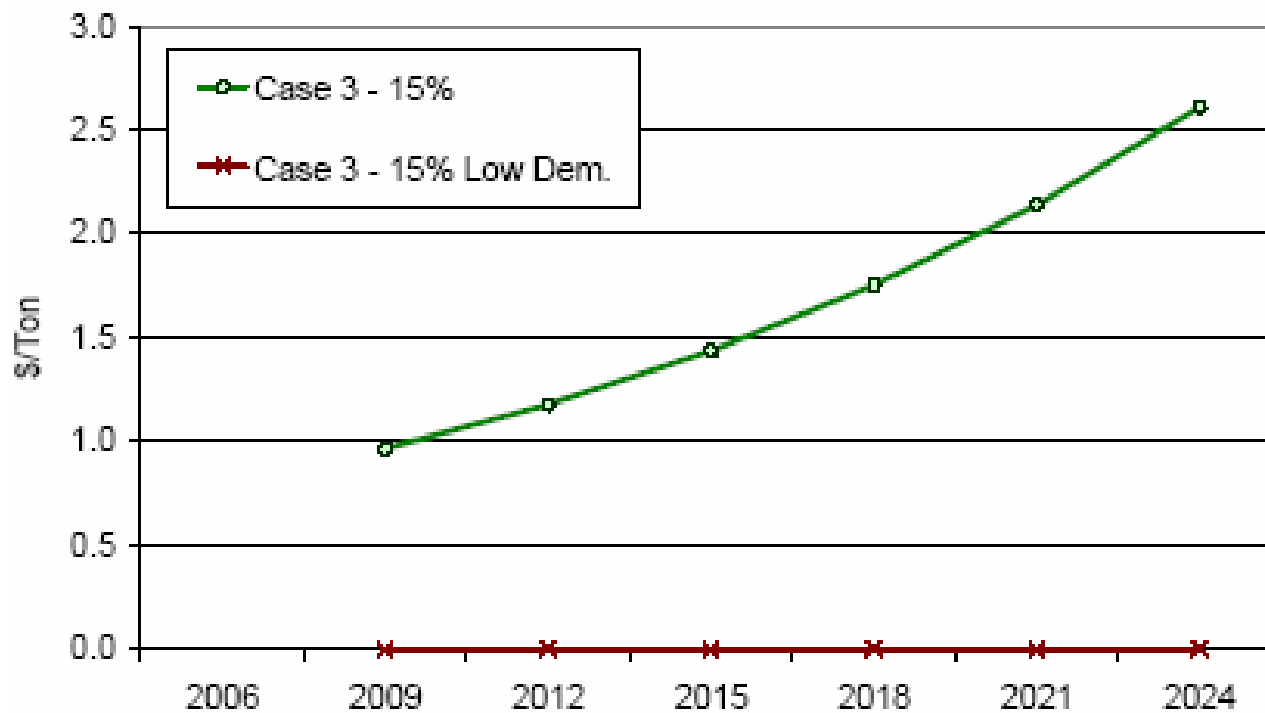
Regional Greenhouse Gas Initiative

Cost containment options:

- **Weak cap**
- **Unlimited low cost offsets**
- **Reduce projected growth in demand**

A Little Energy Efficiency Goes a Long Way

What is the allowance price under the reduced demand growth case with a 15% cap?



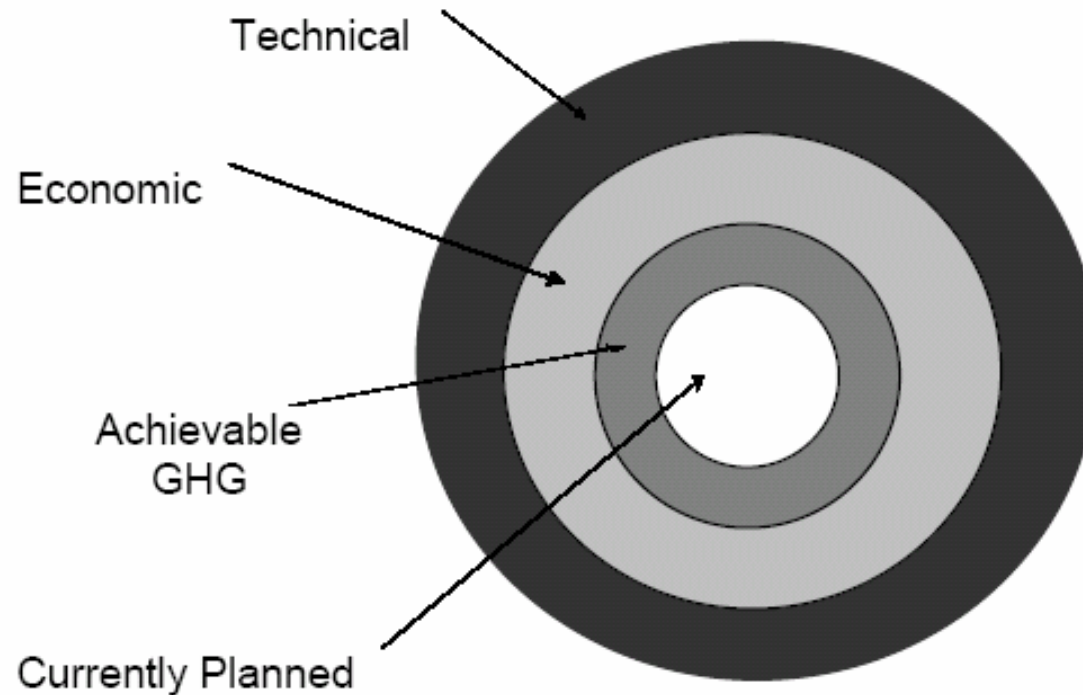
Potential to Reduce Demand Growth

State assessments

- NY (Optimal Energy)
- NJ (KEMA)
- MA (RLW Analytics)
- CT (GDS Assoc & Quantum Consulting)
- ME (Exeter Assoc & Optimal Energy)
- VT (Optimal Energy)
- Regional (NEEP)

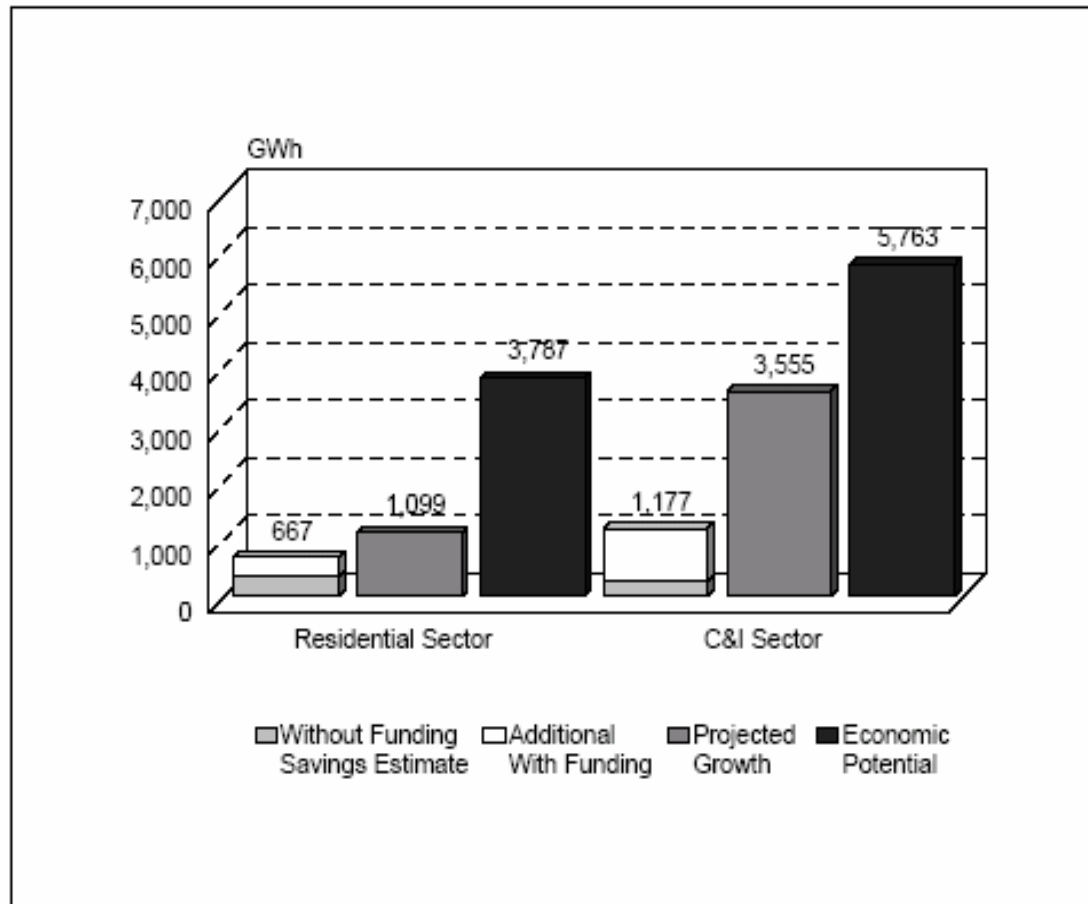
Potential to Reduce Demand Growth

Figure 1.2 Electricity Potential Scenarios in the NYSERDA Study



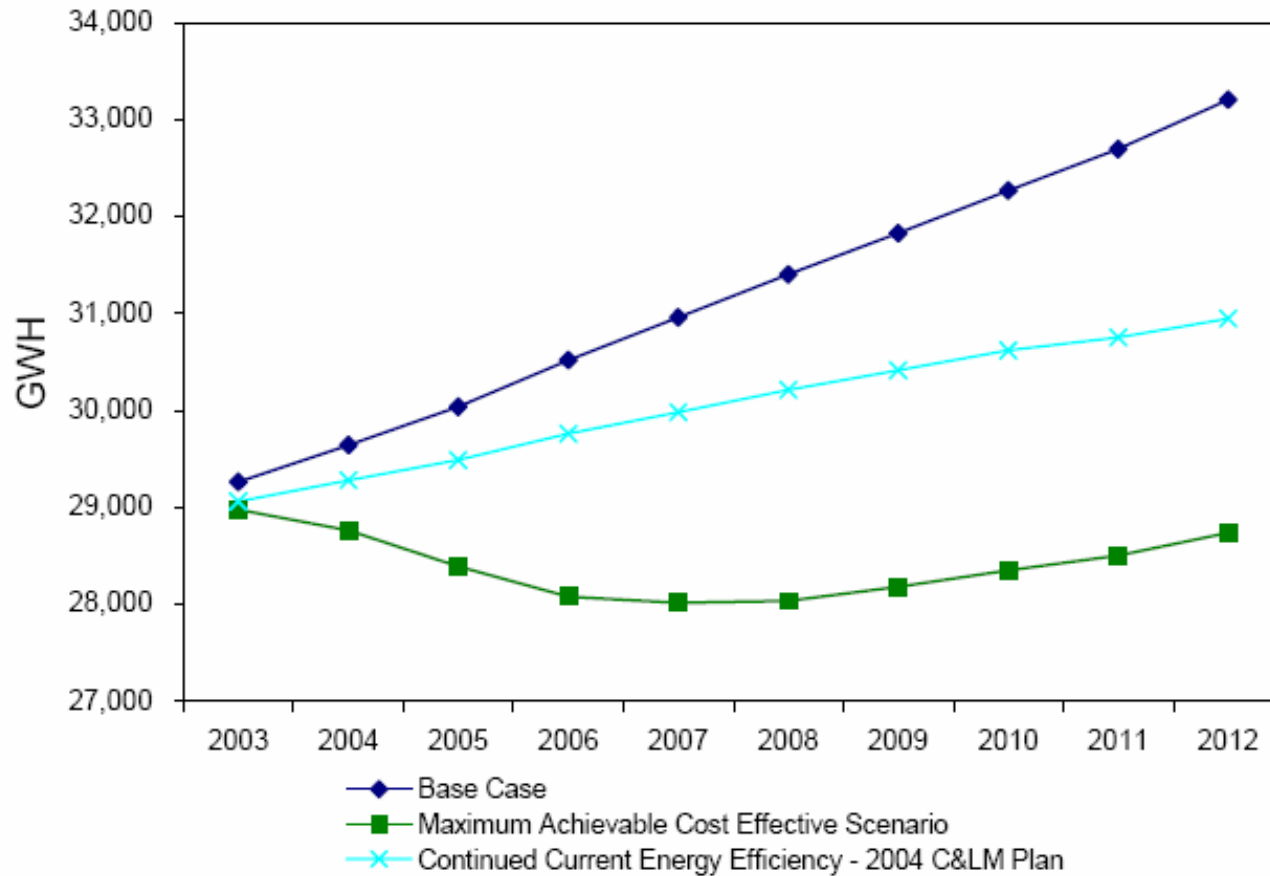
Potential to Reduce Demand Growth

Figure 3: Comparison of Savings Estimates with Projected Growth (2003-2007)

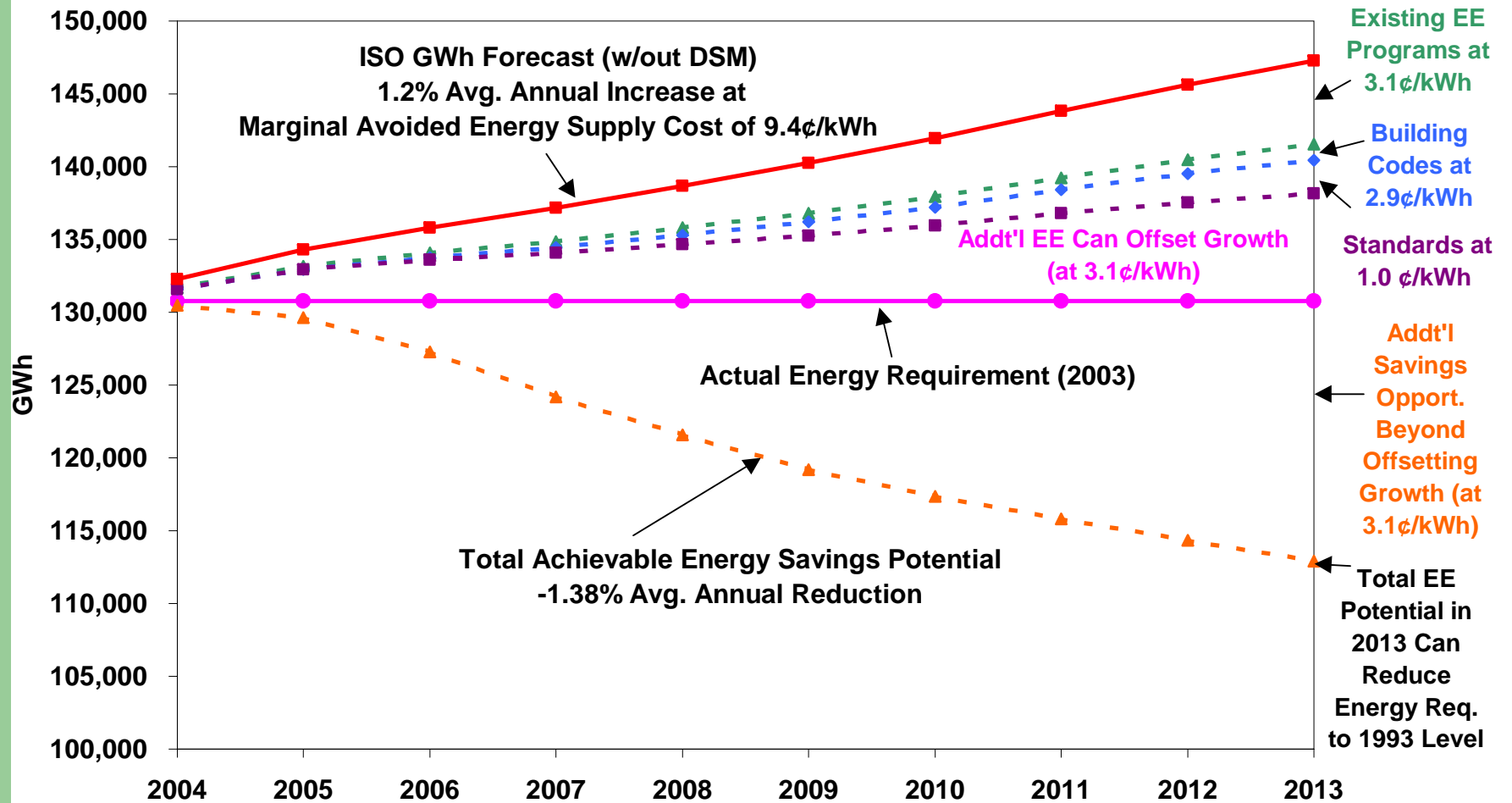


Potential to Reduce Demand Growth

**Figure 1-2 - Connecticut Energy Forecast (GWh):
Base Case, Continued Current Energy Efficiency, and
Maximum Achievable Cost Effective Potential**



Potential to Reduce Demand Growth



Efficiency is Key to Achieving RGGI Goals

- **State reports**
 - We can keep demand growth flat & even reduce
 - Reducing demand growth improves reliability
- **IPM Modeling**
 - Negligible price increase
 - Negligible leakage
- **REMI Modeling**
 - Job growth, economic development benefits

How to Realize the Benefits of Efficiency

Substantially increase program funding (more than double)

- Minimum consumer allowances is a start (Model Rule)

@ \$10 ton, additional funding with NO RATE IMPACT:

100% = ~ **\$1.4 billion**/ year region-wide

50% = ~ **\$700 million**/ year region-wide

- Increase system benefit charges (MOU)

Consumer vs. Generator Allowances:

- **Consumers will pay** the cost of implementing RGGI
 - all generators will recover allowance costs in bid prices
- **States should prevent windfalls** to generators
 - Total compliance costs = ~ 13% of total allowance value
- **States should not compensate generators** that lose market share under RGGI
 - Consumers don't share revenue increases e.g., from increased natural gas prices
 - Regulatory risks, including carbon caps, are well known and are supposed to be born by generators

How to Realize the Benefits of Efficiency

- **Codes and standards**
 - Adopt state appliance standards (MOU)
 - Improve building energy codes (MOU)
- **Utility regulation and procurement**
 - Require Portfolio Management (require LSEs to invest in all cost effective efficiency) (MOU)
 - Adopt Energy Efficiency Portfolio Standards (MOU)
 - Launch Decoupling Proceedings (MOU)

How to Realize the Benefits of Efficiency

- **Educate state officials**
 - Zero demand growth/ demand reduction is achievable and cost effective
 - Increased investment in efficiency
 - = more jobs
 - = lower energy bills
 - = improved reliability
- **Advocate for consumer allowances in Model Rule**
- **Advocate for complementary energy policies in RGGI MOU**