



May 7, 2021

Vicki Arroyo
Executive Director
Georgetown Climate Center
600 New Jersey Avenue, NW
Washington, DC 20001

To Executive Director Arroyo and Participant States:

Thank you for the opportunity to provide comment on the Model Rule published March 1, 2021.

Summary

As the nation's first green bank, the Connecticut Green Bank ("Green Bank") leverages the limited public resources it receives to attract multiples of private investment to scale up clean energy deployment. Since its inception, the Green Bank has mobilized nearly \$2.0 billion of investment into Connecticut's clean energy economy at a 7 to 1 leverage ratio of private to public funds, supported the creation of over 23,000 direct, indirect and induced jobs, reduced the energy burden on over 55,000 families and businesses, deployed over 430 megawatts of clean renewable energy, helped avoid nearly 9.0 million tons of CO₂ emissions over the life of the projects, and generated nearly \$100 million in individual income, corporate, and sales tax revenues to the State of Connecticut.¹

The Green Bank is a supporter of the proposed Transportation and Climate Initiative Program ("TCI-P"), and provided written and verbal public testimony in the Connecticut General Assembly in support of Senate Bill 884², An Act Reducing Transportation-Related Carbon Emissions, that would effectuate TCI-P rulemaking in Connecticut.

The following comments articulate the Green Bank's positions relative to our existing activity with carbon offset markets within the same capped space as TCI-P.

Carbon Offset Activity

The Green Bank summarizes in Appendix A its activity with carbon offset markets. We encourage that TCI-P implementing states craft policy to leverages voluntary market activity to further accelerate TCI-P's objective of decarbonizing transportation by accelerating the deployment of electric vehicle recharging station infrastructure.

Model Rule subpart XX-10.1 articulates TCI-P's contemplated approach to offsets:

¹ Comprehensive Annual Financial Report for FY20

² https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&which_year=2021&bill_num=884

The REGULATORY AGENCY will provide for the award of CO2 offset allowances to sponsors of CO2 emissions offset projects that have reduced or avoided atmospheric loading of CO2 equivalent or sequestered carbon as demonstrated in accordance with the applicable provisions of this Subpart. The requirements of this Subpart seek to ensure that CO2 offset allowances awarded represent CO2 equivalent emission reductions or carbon sequestration that are real, additional, verifiable, enforceable, and permanent within the framework of a standards-based approach. Subject to the relevant compliance deduction limitations of paragraph XX-6.5(a)(3), CO2 offset allowances may be used by any JURISDICTION fuel supplier for compliance purposes.

Model Rule XX-10.3 (a)(1) articulates which offset types are eligible to be deducted by regulated entities for compliance purposes. These may include:

- (i) Landfill methane capture and destruction;
- (ii) Sequestration of carbon due to reforestation, improved forest management, or avoided conversion;
- (iii) Avoided methane emissions from agricultural manure management operations

The Green Bank applauds the Model Rule's nature-based approach toward establishing qualifications for compliance offsets, and we offer ourselves as a potential resource for these types of projects, contingent on legislative passage of a proposal currently under consideration. In 2021 Governor Lamont introduced a legislative proposal to expand the Green Bank's statutory mission beyond the deployment of clean energy projects, so as to attract investment toward nature-based "environmental infrastructure" projects such as those in Model Rule XX-10.3 (a)(1).³ We do, however, also reiterate our recommendation to allow for other, additional types of offset credits to qualify into the program, up to and including those more directly affiliated with carbon removals/reductions in the transportation sector.⁴

Set-Aside Reserve

We thank TCI for integrating previous Green Bank input on incorporating set aside reserves into the Model Rule, at the option of states to adopt. Although the Model Rule does not allow EV charging offset credits into TCI-P as compliance credits as was also advocated, it does provide for a set aside reserve approach in Model Rule Section XX-5.3. The Green Bank thanks the Model Rule's authors for the inclusion of section XX-5.3, which allows jurisdictions to reserve CO2 allowances for achievement of TCI-P goals:

XX-5.3 CO2 allowance allocations. [TCI-P participating jurisdictions will offer all allowances for sale at auction, except that TCI-P participating jurisdictions may set aside or retire allowances to be used to achieve other TCI-P goals. Allocation provisions will vary from jurisdiction to jurisdiction.]

We strongly encourage TCI-P states to create set aside structures, for reasons that follow.

³ This proposal is part of [House Bill 6441](#), An Act Concerning Climate Change Adaptation.

⁴ The Green Bank's project can be found at <https://registry.verra.org/app/projectDetail/VCS/2073>.

The Green Bank has registered – and by summer of 2021 expects to have certified – a multiparty EV charging project through Verra’s Verified Carbon Standard (“VCS”) Program for voluntary market offset activity within the same sector TCI-P proposes to regulate. Similarly, Electrify America is requesting certification on its own EV charger project through VCS.

Without states’ application of a set aside mechanism in TCI-P as provided in Model Rule Section XX-5.3, by the interpretation of Verified Carbon Standard and by the design of the adopted methodology in use, *in-region transport sector carbon credit projects would be double-counted with cap reductions in states like TCI that adopt an upstream compliance cap on transportation fuels.* This means that without the inclusion of some form of voluntary credit recognition which the set aside reserve secures, a TCI compliance cap will prevent EV charging systems in TCI-P states from creating certifiable carbon credits, such as the VCS EV charging credits. Moreover, the GHG value of downstream, non-capped actors’ investment in such in-region projects will simply revert to the capped fossil fuel importers (a deep irony)⁵. TCI-P states should seek to avoid inadvertently disabling voluntary markets’ ability to deliver on shared objectives of transport decarbonization – and eliminating the voluntary investment capital otherwise deployed by a diverse set of community, local downstream EV charging investors.

The set-aside, applied in this way, would thus keep open an innovative source of projects for voluntary carbon capital investment – *in-region transportation* projects. Such investment will accelerate *local* investment in those leading-edge transportation technologies such as EV charging. Incorporating such in-region, transportation voluntary credits represents an essential flexibility mechanism in rule design, allowing for the maximization of private capital resources and thus reducing reliance on cap system funds, and containing in-state compliance costs. Harnessing a complementary private capital market holds the promise of accelerating in-region investment in mission-critical transportation technologies deemed “additional,” producing faster attainment of GHG reduction goals while supporting the TCI-P cap’s level of ambition.

Prices

Price revelation is now occurring for these voluntary credits, owing to forward sales commitments negotiated over the past year. For its upcoming issuance (subject to certification), the Green Bank is securing credit prices from \$7.50/ton - \$10/ton. The TCI-P modeled Emissions Containment Reserve trigger price starts at \$6.50/ton in 2023 and rises from there, while the Cost Containment Reserve trigger price starts at \$12/ton in 2023.⁶ The Green Bank’s voluntary market price expectations appear almost perfectly within TCI-P’s floor and ceiling prices. Without state-adopted set-aside provisions, then these states will be forfeiting downstream voluntary investments into the emissions-capped sector that would

⁵ Set aside reserves were also used in California, to avoid similar such ironic “property taking” concerns in the energy sector. This lets local stakeholders retain GHG allowance value under the cap for investments in rooftop solar projects, for example; the default alternative would have been to give it away for free to the capped utility, which had no role in the project’s deployment or investment.

⁶ [“Elements of Program Design”](#) (December 20, 2021).

otherwise represent equal or greater private investment. Considering that the social cost of carbon is greater than the TCI-P price ceiling, it would be a good thing to allow for high-value downstream investments to continue with voluntary market price revelation, potentially leading to greater value that is closer to the social cost of carbon.

Certifiers, Methodologies, and Boundaries

More broadly, relative to TCI-P's certification process for its compliance offsets, the public/private cooperative approach referenced above for EV charging credits was also pursued by Washington (WA) state for its compliance offsets when designing its own state cap-and-trade Clean Air Rule legislation. This design would preserve the private investment incentives existing for in-region transport projects, and also accredit private certifiers in through the rule. These public/private benefits were so important that transport credits were deemed to be allowed as compliance offsets under the WA cap.

Washington also accredited in voluntary market carbon methodologies and utilized its certifiers - such as VCS - for compliance offset credit issuance. TCI-P may consider incorporating such integrated public/private approaches for its TCI-P methodologies (which each state might approve). Our understanding of RGGI's approach was that it required direct accreditation of state-based certifiers and used its own methodologies, and also that only a small volume of offset projects made use of its set-aside reserve. TCI-P's similar approach might present similar market barriers for use of offsets. As a result, the Model Rule should contemplate for states' choice to allow in offsets from projects outside of the jurisdictional boundary.

Regarding state boundaries, many compliance projects contemplated under the Model Rule may likely form part of a broader grouped set of projects whose boundaries extend beyond TCI-P regions. Such projects would then need to certify twice - once with TCI-P for in-region project instances, and once with a third-party accreditation body for out-of-region instances. Such overhead and administrative burdens could be streamlined by accrediting in approved voluntary methodologies and certifiers.

Thank you again for the opportunity to provide comments on the Model Rule.

Sincerely,



Matt Macunas
Legislative Liaison and Associate Director of Transportation Initiatives
Connecticut Green Bank

Appendix A

Connecticut Green Bank EV Charger Carbon Credit Aggregation Initiative

Press Coverage:

- [Firing Up a Credit Trading Market to Support Electric Vehicle Networks | Clean Energy Finance Forum](#) (April 27, 2021)
- [Connecticut Green Bank and Its EV Charging Partners Register the First Validated Multi-Partner Carbon Offset Credit Project | Connecticut Green Bank \(ctgreenbank.com\)](#) (December 9, 2020)
- [Carbon Offset Project Partners With EV Charging System Providers \(cleantechnica.com\)](#) (December 11, 2020)

Certifier and Methodology Used:

- Verified Carbon Standard Program
- [VM0038-Methodology-for-Electric-Vehicle-Charging-Systems-v1.0-18-SEP-2018.pdf \(verra.org\)](#)

Key Summary Details:

- Expected credit certification by September 2021
- Connecticut Green Bank as project proponent, aggregating activity for ten contributing project partners
- Expected volumes: 10,000 – 20,000 verified carbon units in 2021
- Vintage years: 2016-2020