

Dear RI Carbon Price Study Stakeholders,

Thank you for attending the May 19<sup>th</sup> webinar on the Rhode Island Carbon Price Study and for sharing your thoughts during the written comment period. For those who may not have been able to attend, the presentation slides (including webinar polling results) are attached to this email.

The project team has received several comments that will help inform this study. Below is a summary of key themes from the followed by responses from the project team. While the project team has reviewed all comments closely, note that the below list is not comprehensive of every comment received.

Several stakeholders expressed interest in examining alternative scenarios, including:

- **GHG-based scenarios:** There was interest in examining GHG-based scenarios, primarily in scenarios built on the carbon prices that would achieve 50% reduction in GHG emissions by 2035 and net zero emission by 2050.
- **Social cost of carbon-based scenario:** There was interest in using the social cost of carbon as a basis for a scenario.
- **Legislation-based scenario:** There were several comments requesting that the Economic and Climate Resilience Act of 2019 (previously Energize RI Act) be used as the basis for a scenario.

Several stakeholders also indicated views that the study would **benefit from engagement with Environmental Justice communities** or associated advocacy groups to understand the concerns and priorities of those groups.

### **Project Team Responded**

#### **GHG-based scenarios**

Rhode Island is pursuing a number of strategies to reduce emissions, each contributing independently and in tandem with others to the state's GHG reduction goals. This analysis aims to evaluate the potential contribution of a carbon price to support a portfolio of carbon reduction strategies. The fee alone would not drive all carbon reductions needed to meet the State's goals; rather, it would complement other policies in achieving the target. That said, the project team agrees that a close understanding of the GHG impacts of each scenario should be detailed in the report. To deliver the State a study that best aligns with its broad set of policies while also considering this feedback, the project team will include the extent to which the carbon price scenarios are expected to contribute to Rhode Island's carbon reduction goals in the final report.

#### **Social cost of carbon-based scenario**

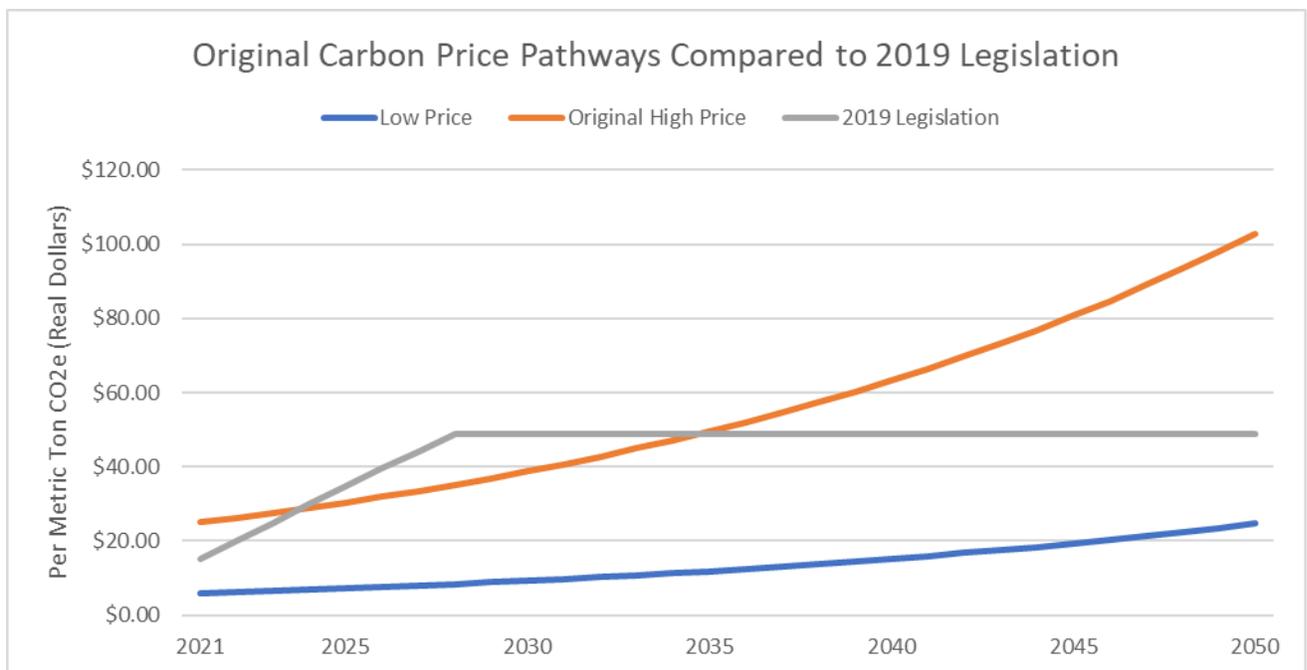
As noted above, Rhode Island is pursuing a portfolio of decarbonization strategies through which the social cost of carbon can be addressed. In addition to a carbon tax, such strategies could include a clean energy standard, or incentive programs among other options. Our goal is to evaluate the ability of a carbon tax to complement these strategies. Estimates on the social cost of carbon vary widely and can change drastically over time and global decarbonization scenarios. While the estimation of a social cost of carbon is important for broad policy setting it is contingent on a number of assumptions that are outside the scope of the study. Our high-price scenario - as redesigned below - aims to reflect both

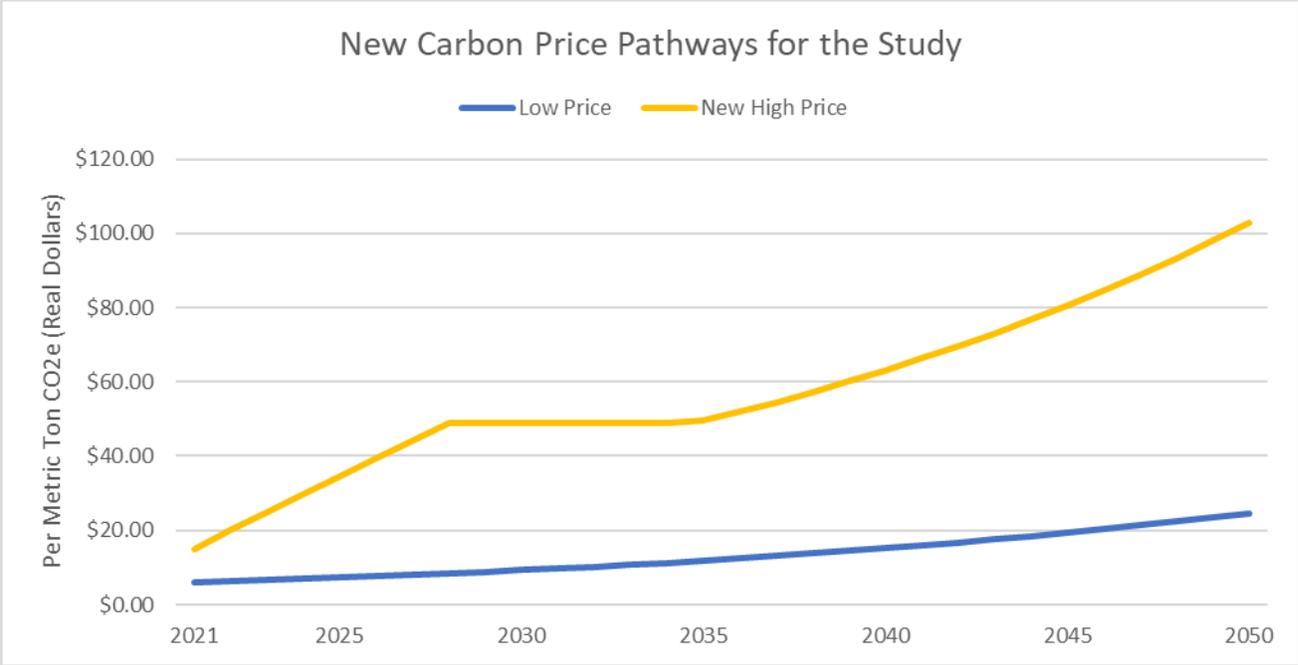
pending legislation and long-term expectations about reflecting a higher-social cost of carbon that overlaps with existing initiatives on the topic (for example, the Interagency Working Group on the Social Cost of Carbon).

### Legislation-based scenarios

The Economic and Climate Resilience Act of 2019 reflects the following price pathway: \$15 starting price, increasing by \$5 per year, then leveling off at \$50 at which point it increases annually with inflation. The proposed legislation creates a regime in which prices rapidly escalate but are capped off in 7 years.

To be responsive to this feedback, the project team will examine a new high price pathway instead of the originally proposed high price pathway. The new high price pathway will utilize the legislation-based pathway over the next 15 years (grey line in first figure below). After 2028, the proposed legislation levels off. From 2035 onward, the project team will begin a rate of escalation equal to the originally proposed pathway of 5% a year above inflation though 2050 to be consistent with the post-2035 behavior of the high carbon price below (orange line of first figure). This higher price in latter years will generate more distinctive and interpretable results in the modeling performed in the study. The second figure below shows the pathways that will be examined in the study.





**Engagement with Environmental Justice Communities**

The project team recognizes the importance of engaging frontline communities to understand their views on climate change, carbon pricing, and priorities for investment of revenue. The project team is in the process of developing plans for stakeholder engagement that will include a focus on frontline communities. Stakeholders can expect further communication regarding opportunities for engagement by mid-late July. Findings from the stakeholder engagement will be incorporated into the analysis and final report.

Regards,

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