

Regional Greenhouse Gas Initiative (RGGI)

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Background

- As a number of states began to develop climate change action plans, it became clear that **greenhouse gas reductions** would be needed **from the power generation sector**.
- New York's Governor Pataki asked northeast governors to collaborate on a **regional market-based cap & trade program for CO₂** for obtaining those reductions.

RGGI Participants

- RGGI Memorandum of Understanding signed on Dec 20, 2005 by 7 of 9 states active in forming RGGI framework (CT, DE, ME, NH, NJ, NY, VT)
 - MA & RI rejoined RGGI in early 2007
 - MD joined RGGI in April 2007
 - DC to join soon?



RGGI Goals

- Develop a multi-state **cap-and-trade** program to reduce carbon dioxide emissions from power plants while maintaining energy affordability and reliability.
- Emphasize uniformity across the participating states
- Build on success of existing cap-and-trade programs.

Cap and Trade Program

- Is a mechanism for reducing emissions from existing emission sources
- Compared to “Command and Control”, Cap and Trade:
 - Allows flexibility
 - Reduces costs

Cap and Trade Program

- Define the regulated universe
- Set an overall emissions cap
- Distribute allowances (permits to emit)
 - One allowance = the authority to emit one ton of CO₂
- Allow units to decide how to comply
 - Emission units must hold allowances equal to their emissions

Define the Regulated Universe

- All fossil fuel-fired electric generating units with nameplate capacity of 25 MW or greater in the 10 state RGGI region

Set an Overall Emissions Cap

- Two-phase cap:
 - Stabilization at “current” levels for 2009-2014.
 - The cap is reduced 2.5% per year 2015-2018.
- 188,076,976 tons at start.
- The overall cap is apportioned to states based mainly on average CO₂ emissions in 2000-2002.

Distribute Allowances

- States plan to auction most allowances
- Regional auction is being developed
- DEM can "auction" or "sell" allowances
 - Use funds generated for "Consumer Benefit"

Allow Units to Decide How to Comply

- Purchase allowances
- To reduce the number of allowances needed:
 - Reduce output
 - Switch to lower carbon fuel
 - Seek emission control technologies
 - Sponsor offset projects
- At the end of the compliance period units must hold allowances equal to their emissions

Consumer Benefit

- Promote energy efficiency and conservation
- Mitigate ratepayer impacts
- Promote renewable non-carbon energy technologies
- Administer the program

Offset Projects

- 5 Initial offset categories:
 - landfill methane capture & combustion
 - SF₆ capture & recycling at electricity transmission facilities
 - sequestration through afforestation
 - fossil fuel end-use efficiency
 - methane capture from agricultural operations
- Standards approach – uses predefined protocols for approving offset projects
- Initial projects must be located in the RGGI states, states with a comparable cap & trade program or states that sign an Offsets MOU

Price Impacts

- Modeling results suggest an additional 1-2% increase in electricity prices in the region between now and 2015.
- Allowance price predicted at ~\$2 in 2009
- Price Triggers at \$7 & \$10 levels provide price relief measures (greater % of offsets allowed and broader geographic scope of offsets) if needed.
- “Consumer Benefit” programs can help mitigate price increases that may result from RGGI.

Leakage Concerns

- CO₂ restrictions in the RGGI region could lead to increased importation of carbon intensive power.
- That could reduce the net emissions benefits achieved within the RGGI states.
- States will monitor and are considering complimentary policy options to address leakage.

Next Steps

- Promulgate state regulations
- Develop RGGI, Inc. for technical and administrative support
- Complete the regional auction design
- Develop an emissions & allowance tracking system
- Monitor leakage
- Continue offsets-related work
 - (applications, guidance materials, criteria for verifiers, MOU for non-RGGI states)

More information at:

www.rggi.org