



Regional Greenhouse Gas Initiative

An Initiative of the Northeast & Mid-Atlantic States of the U.S.

Regional Greenhouse Gas Initiative: A Carbon Market for the Northeast

NARUC

February 14, 2006

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Overview of Presentation

Background

RGGI Design Process

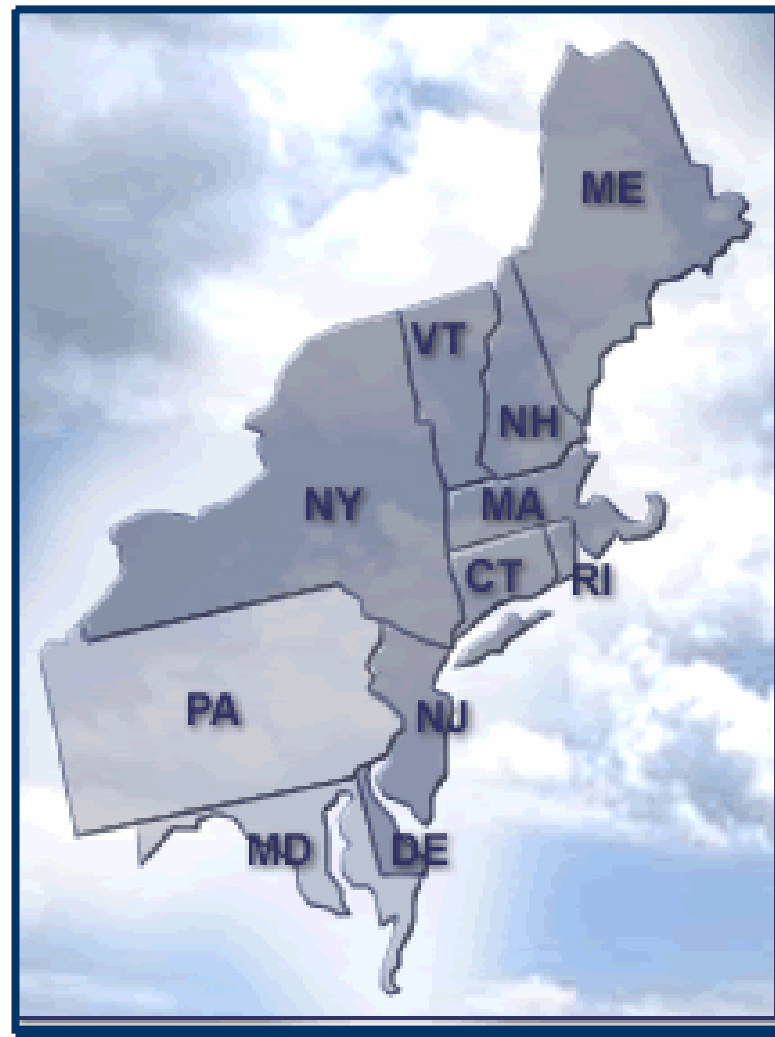
7-State Memorandum of Understanding (MOU)

Model Rule Process



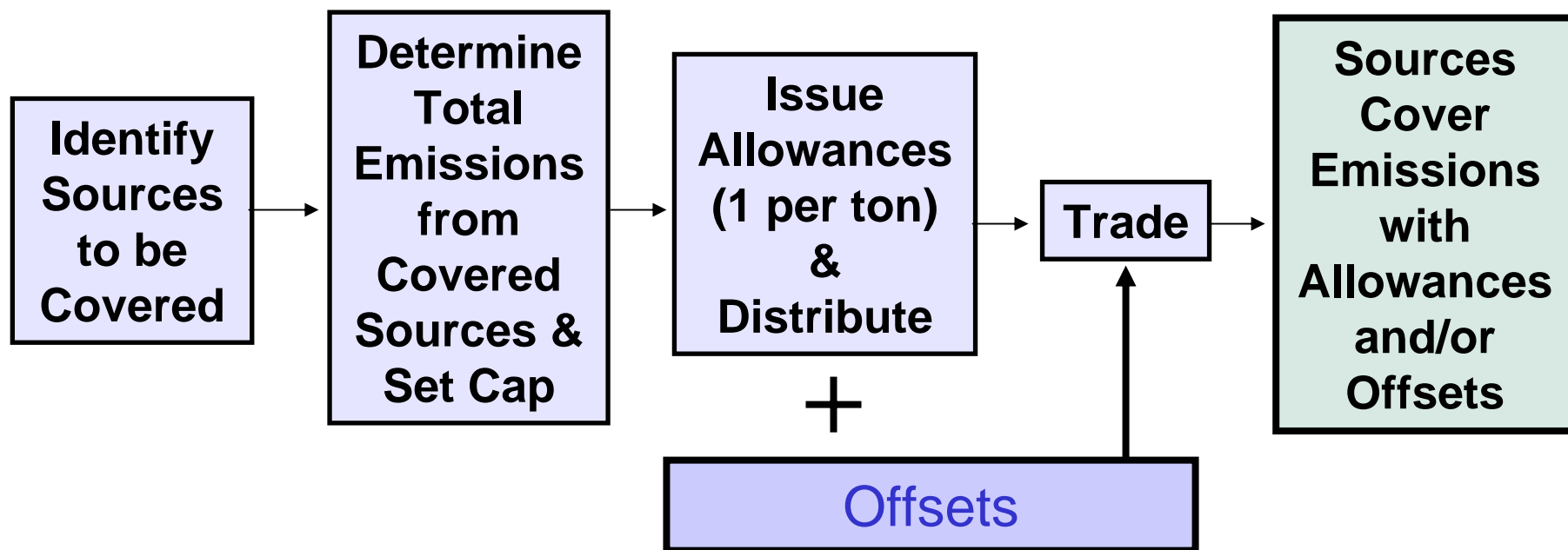
Background

- April 2003
Invitation from NY
Governor Pataki
 - July 2003 Launch
 - September 2003
Action Plan
-





Designing RGGI: A Cap-and-Trade Program





Two-Year+ Effort

- Groundwork
 - *Data Assembly*
 - *Impacts Analysis*
 - *Stakeholder Process*
 - Policy Research & Deliberation
-





Observations on the Process

- Staff Group → Agency Heads → Governors
- Energy & Environmental Agencies in Collaboration for more than 2 Years
- Extensive Open Stakeholder Processes at State & Regional Levels
- Expert Input from ISOs, Environmental Think Tanks, et al.



RGGI Program Components

- Start Date of 2009.
- Cover Power Plants 25 Megawatts+
- Two-Phase Cap—Stabilize Emissions through 2015;
Reduce 10% by 2019.
- Comprehensive Review of Program in 2012.



RGGI Program Components

- Allocations:
 - *25% for Consumer Benefit and/or Strategic Energy Purpose*
 - *Remaining 75% of the allocations left to each state to allocate*
- 3-Year Compliance Period
- Banking Allowed



RGGI Program Components

Offsets—project-based reductions

- Types:
 - Natural Gas, Propane, Heating Oil Efficiency
 - Land to Forest
 - Landfill Gas Capture & Combustion
 - Methane Capture from Animal Operations
 - SF₆ Leak Prevention
 - Leak Detection in Natural Gas Distribution



RGGI Program Components

Offsets—project-based reductions (*cont'd*)

- Geographic Extent:
 - Anywhere in the United States
 - Offsets from Outside RGGI States 2:1 Discount

- Limit on Use:
 - Each Source may “cover” up to 3.3% of its total reported emissions



RGGI Program Components

Allowance Price Safety Valves

- \$7.00 Trigger
 - *Limit on offset use increased to 5% of a source's reported emissions*
 - *Anywhere in North America*
 - *Offsets from Outside RGGI States 1:1*



RGGI Program Components **Allowance Price Safety Valves (*cont'd*)**

- \$10.00 Trigger
 - *Compliance Period extended for 1 year for up to 3 years (Maximum 6-year compliance period).*
- \$10.00 Trigger—2 Consecutive Years
 - *Limit on use of offsets increased to 20% of a source's reported emissions*
 - *Offsets may come from anywhere in North America, or from recognized international trading regimes.*



Modest Projected Impacts

- Using natural gas price projections widely accepted by industry analysts, regional average retail price increases range from 0.3% to 0.6% in 2015, across all rate classes.
- Even under a “high gas price” scenario using gas prices that are higher than mainstream analysts expect, projected retail electricity price impacts range from 1.7% to 3.2% in 2015, across all rate classes.



Modest Projected Impacts (cont'd)

- Projected direct electricity bill impacts due to RGGI range from \$3 - \$16 per average household annually in 2015.
- Improvement in end-use energy efficiency over time, due to both RGGI and other state energy policies, is projected to produce average household bill *savings* that exceed the price impact of the RGGI program.



Next Steps: Model Rule

- Model Rule Draft to go out to comment in late March
- 60-day Public and Stakeholder Review
- July—model rule will be final
- States will initiate state-specific legislative and/or rulemaking processes.