

The Regional Greenhouse Gas Initiative

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Regional Greenhouse Gas Initiative

- **Cap-and-trade for CO₂ emissions from power plants**
- **Reduce emissions 10% from current levels by 2019**
- **MOU signed by 7 Governors December 2005**
- **Model Rule due July 2006, followed by individual state rulemakings / legislation**
- **Implementation January 2009**

RGGI Goals



- Reduce global warming pollution
- Maximize economic development
- Drive technical innovation
- Maintain reliability and fuel diversity
- Minimal cost to consumers

Impact on Federal Policy

- Undermine opponent arguments
- Precedent will shape design
- Cultivate new advocates
 - Level playing field/ no state patchwork
 - Competitive advantage under carbon constraint
 - New business opportunities
- Signal inevitability of federal policy

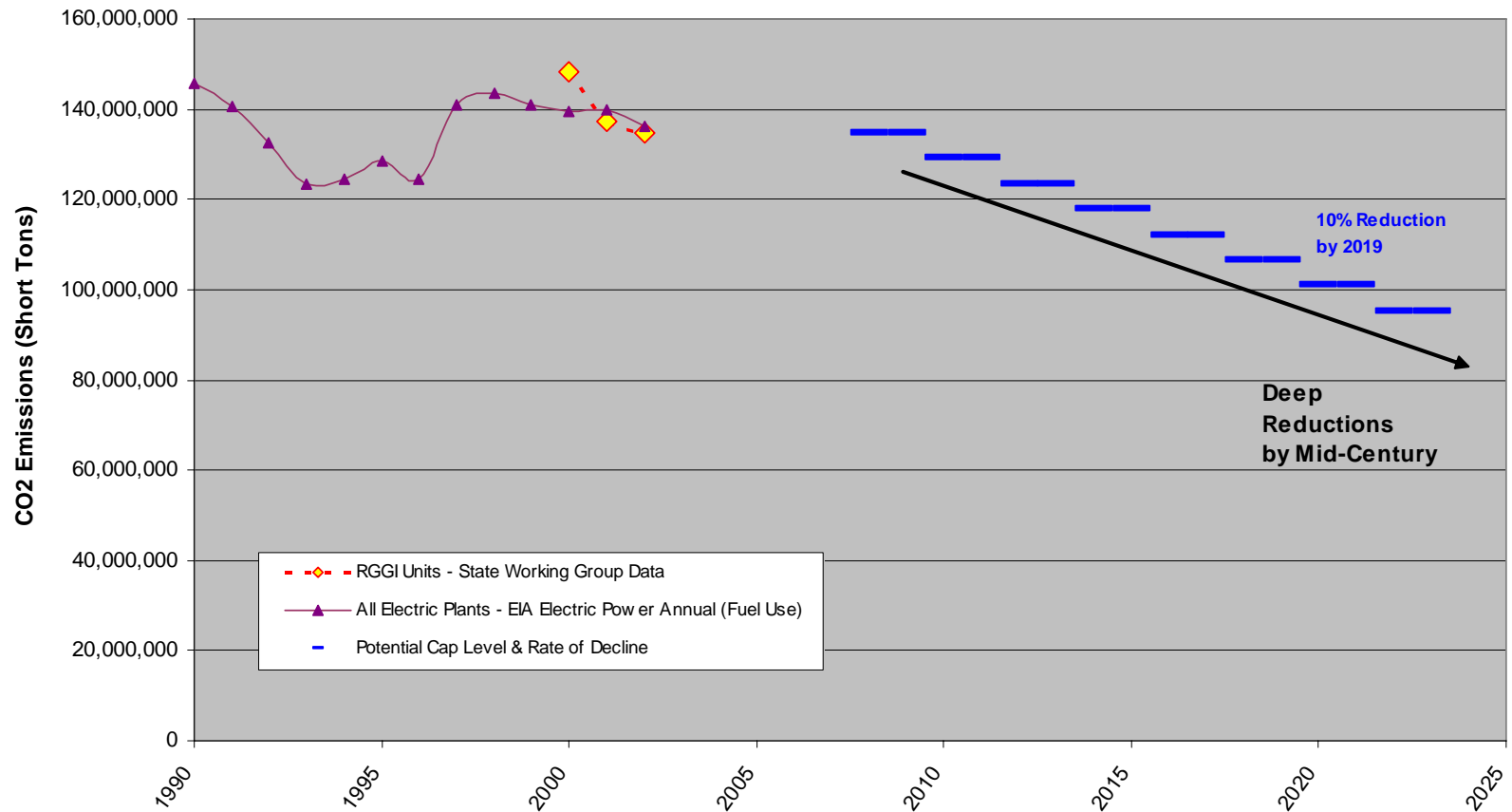
Key Policy Issues:



- **Cap Level & Design**
- **Flexibility Mechanisms / Offsets**
- **Allowance Apportionment & Allocation**
- **Complementary Energy Policies/ Efficiency**
- **Leakage**

Cap level and design

RGGI - Historical CO₂ Emissions & Potential Cap Levels



Offsets

Offset process

- Objective Criteria vs. case by case review

Offset 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

Allowance Allocation

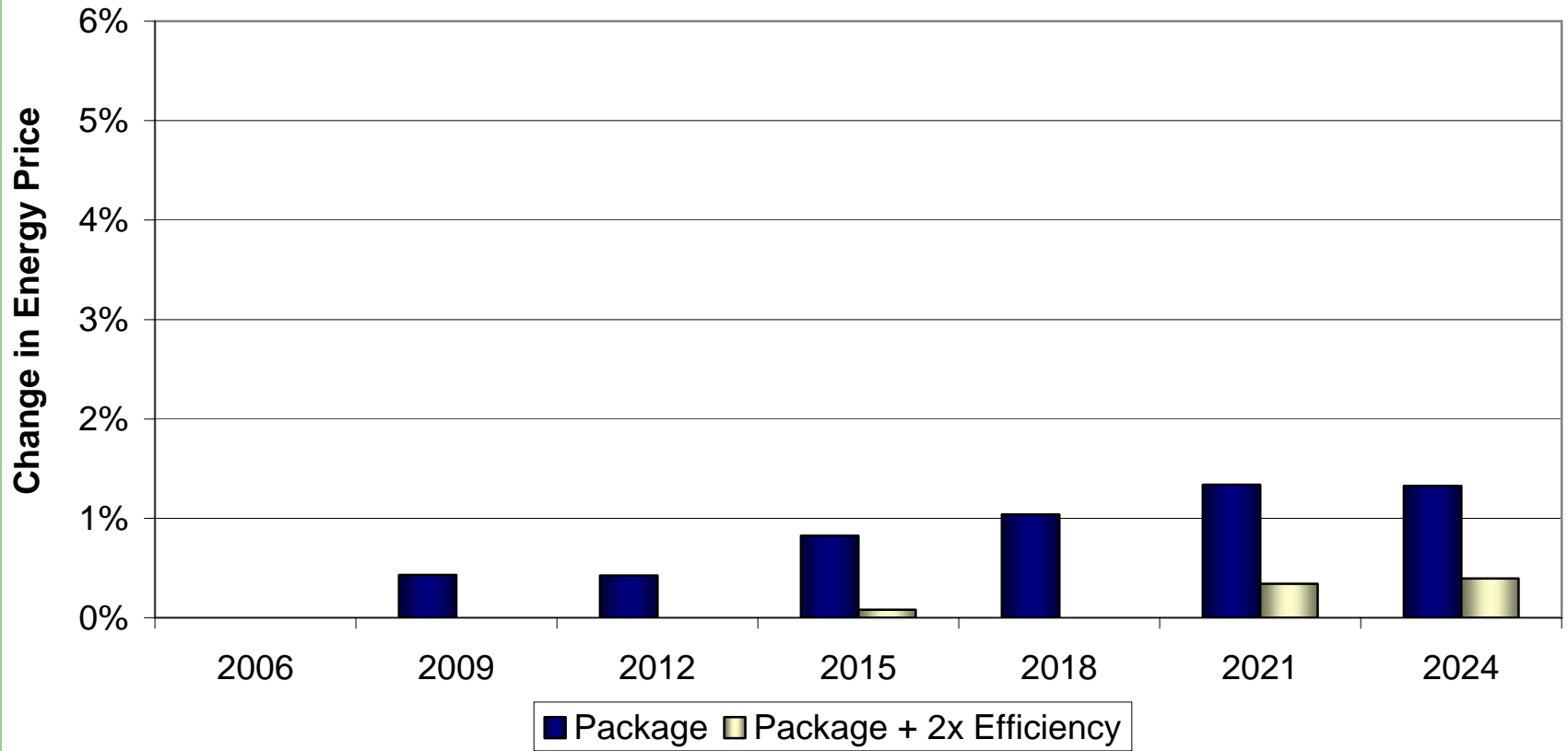
- **Goals**

- Keep program costs low for consumers
- Promote transition of energy sector

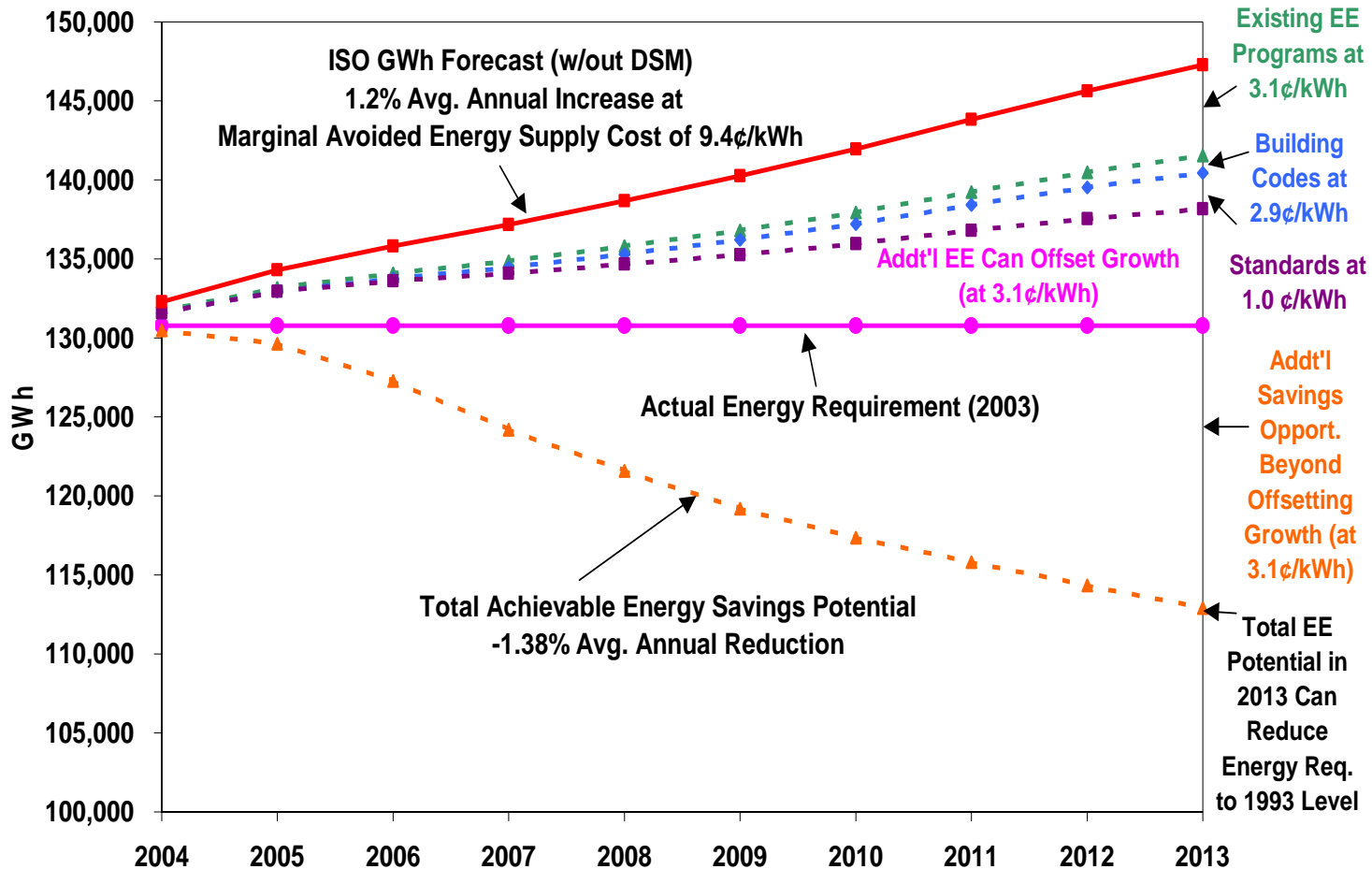
- **Considerations**

- Opportunity cost of allowances
- Electricity price impact of different allocation schemes
- Potential for windfall profits
- Losses in market share/ asset value

Energy Efficiency is Key to Low Cost



Potential to Reduce Demand Growth



Source: NEEP, 2004

Modeling Results

RGGI + efficiency =

- More jobs
- Lower energy bills – \$100/year savings
- Improved reliability
- Net economic benefits for participating states