



Maryland
Department of
the Environment

The Regional Greenhouse Gas Initiative (RGGI)

Air and Radiation Administration

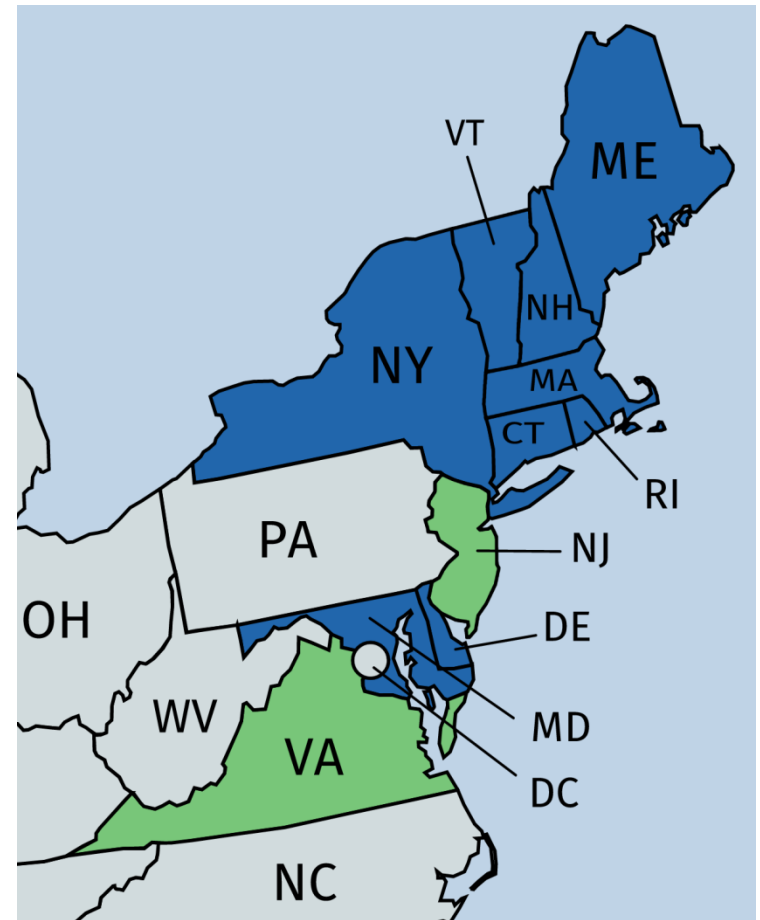
Climate Change Division

December 18, 2017



RGGI Background

- **Carbon Cap on Power Plants**
- **9 States Participate (+2?)**
- **Most allowances sold at auction**
- **Auction proceeds fund energy programs**





Cap and Invest

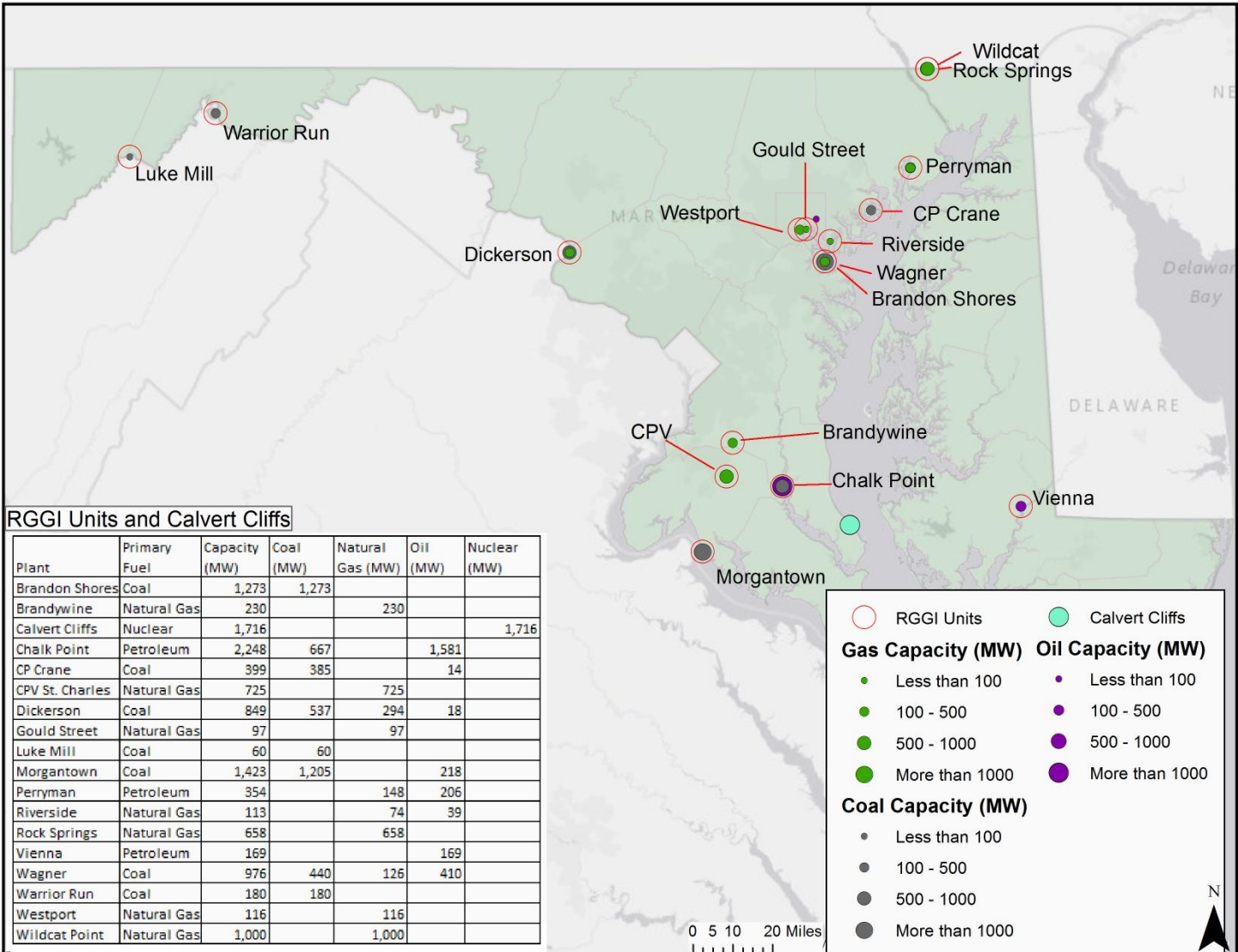
1. Require power plants to turn in **allowances** for CO2 emissions.
2. Only issue a limited number of allowances.
3. Let plants trade allowances.
4. Invest proceeds from allowance auctions into energy programs.

“Cap and Trade”

“Cap and Invest”



MD RGGI Units



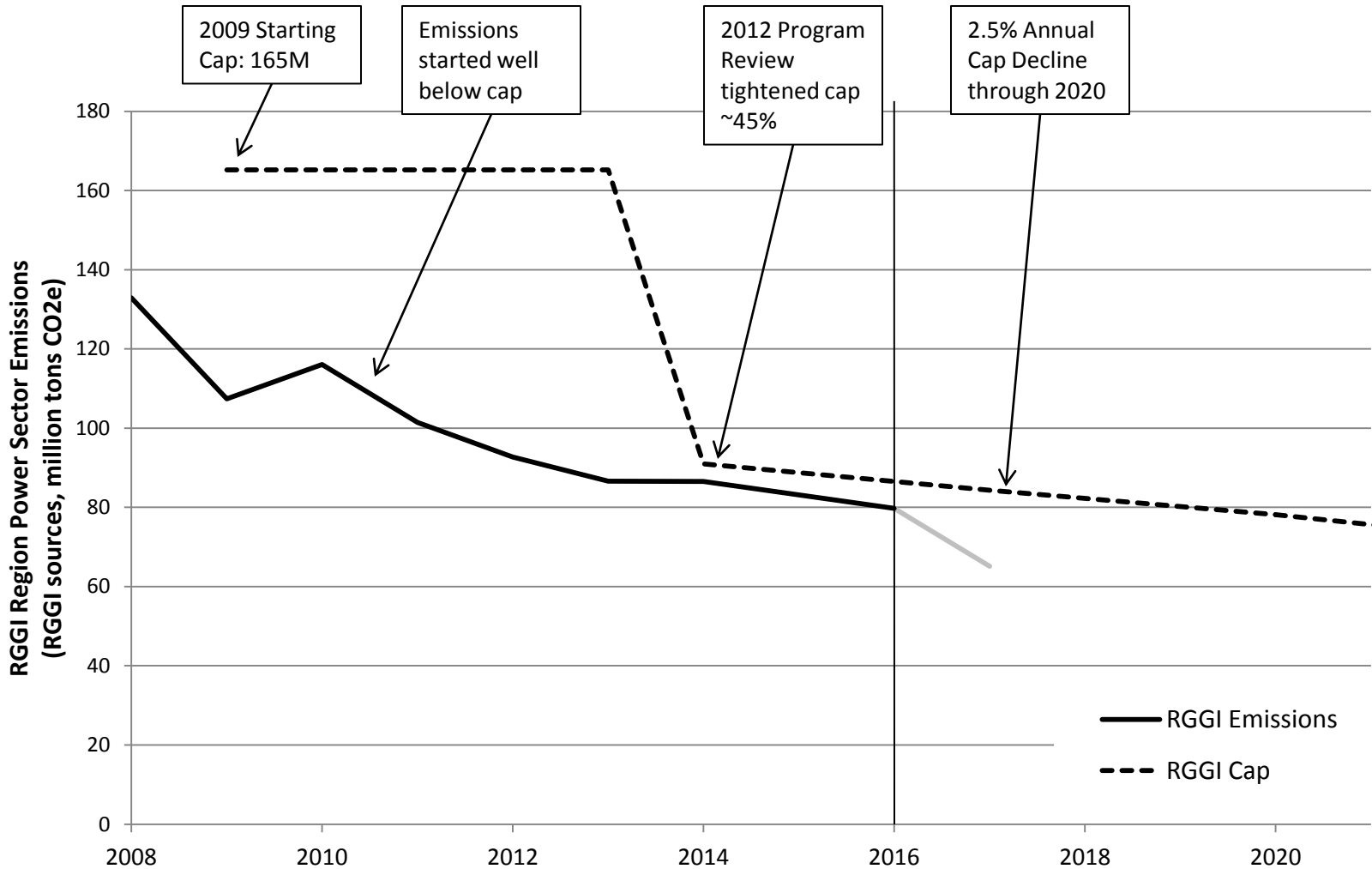


RGGI Regulations

- The 9(+) states work together to write a Model Rule
 - <http://www.rggi.org/design>
- Each state writes its own regulations consistent with the Model Rule
 - <http://www.rggi.org/design/regulations>

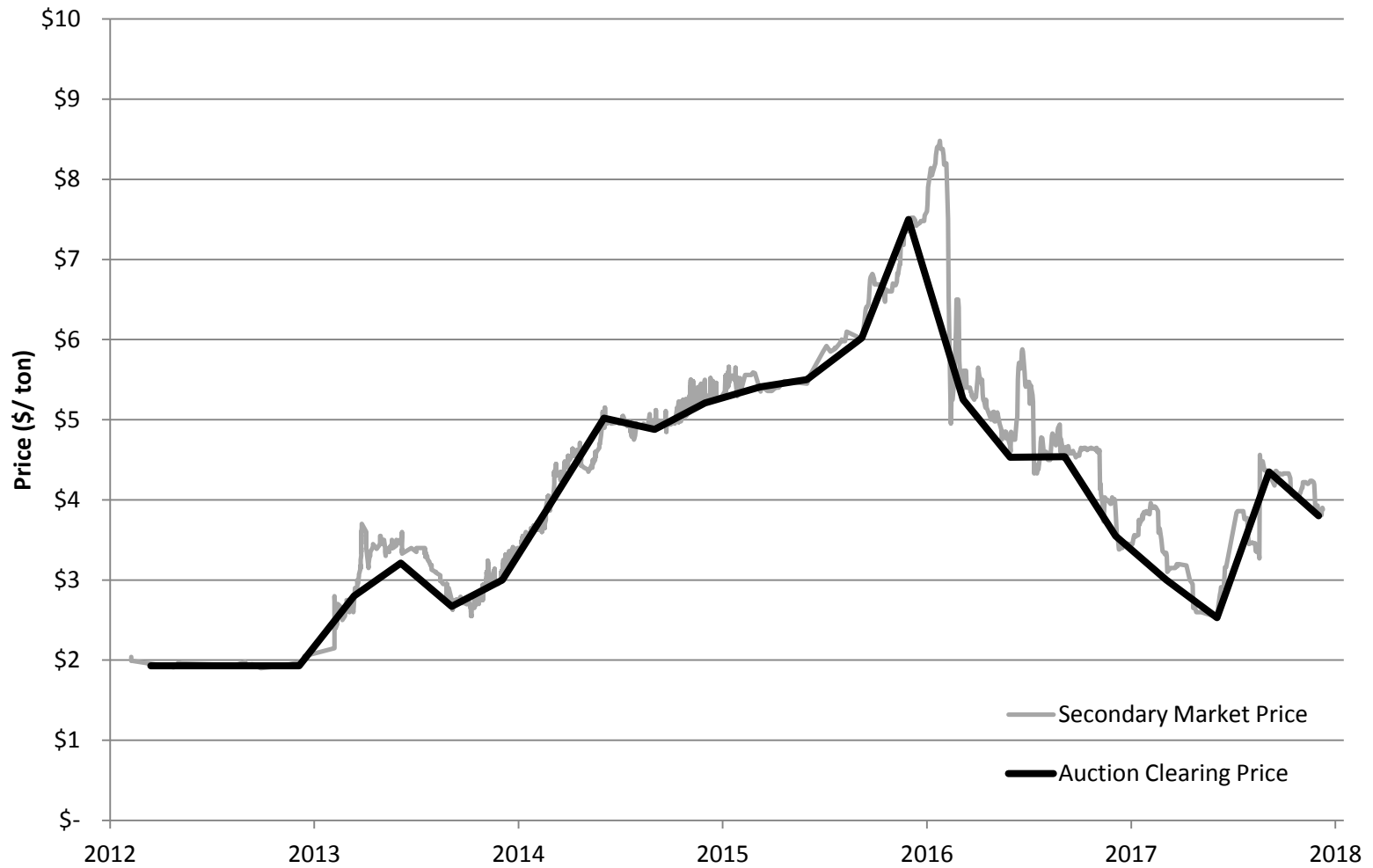


RGGI Caps & Emissions





RGGI Prices

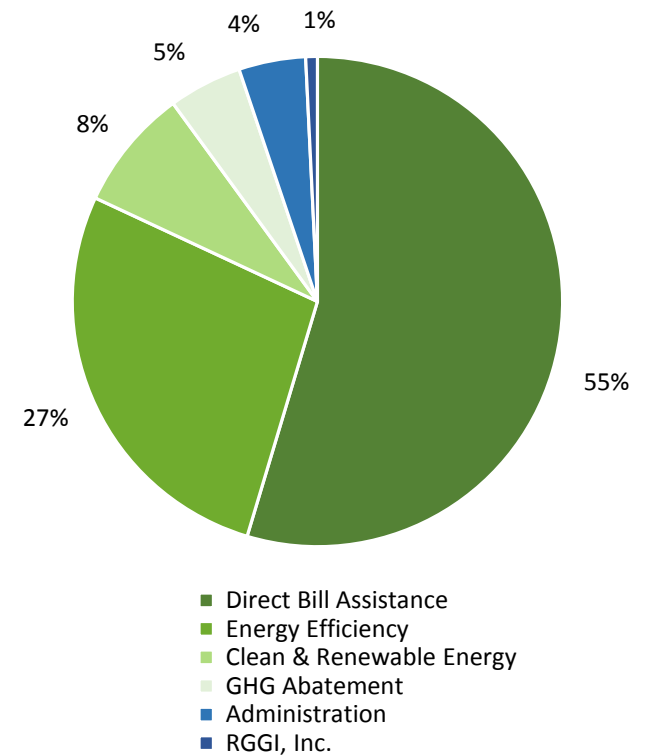




Allowance Allocation

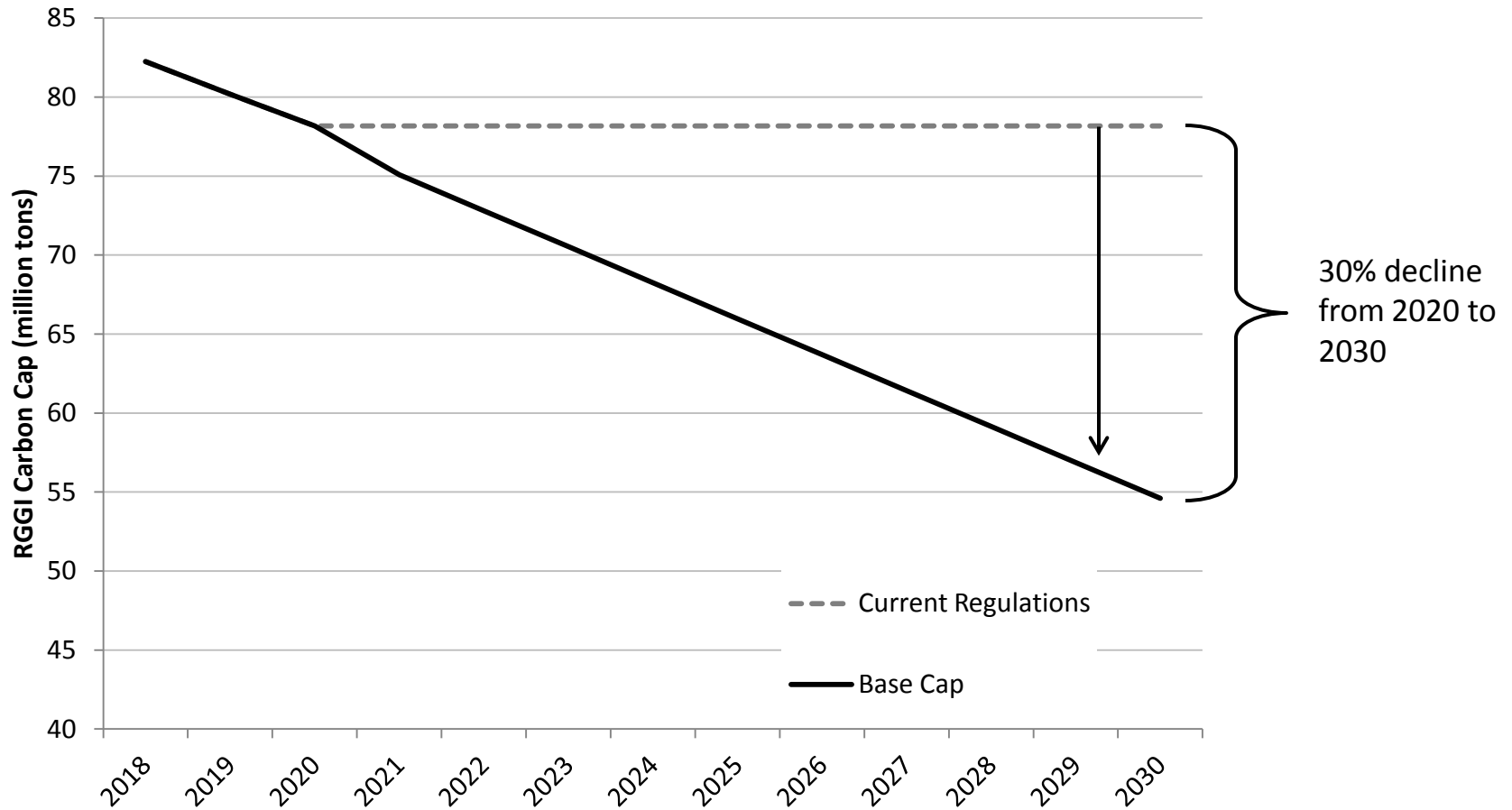
- Most allowances sold at quarterly auctions
- Anyone can purchase allowances
- States receive the proceeds and fund energy programs
- \$600M in MD proceeds to-date

Maryland Historical Proceeds Allocation



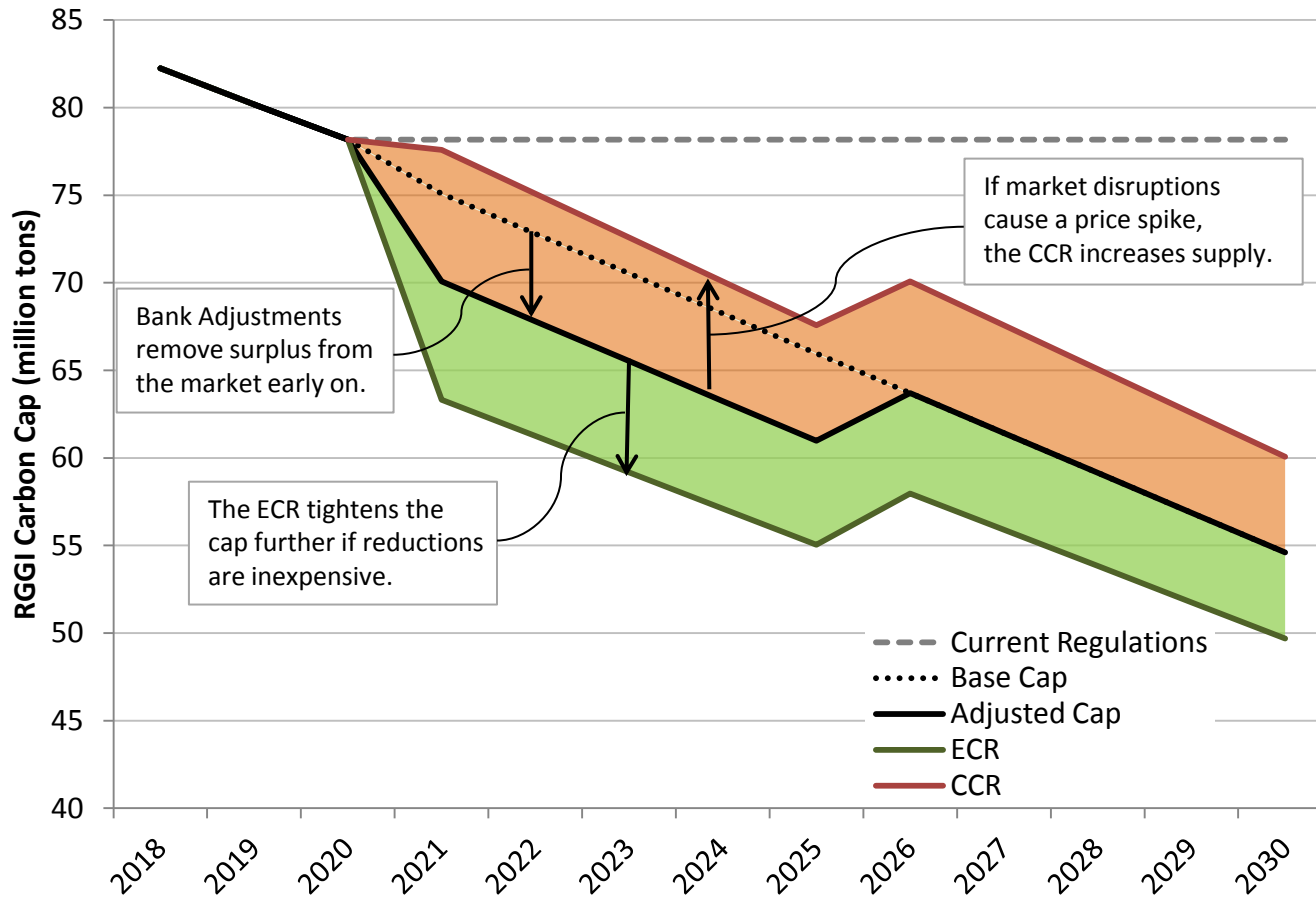


2017 Agreement: 30% Cap Decline



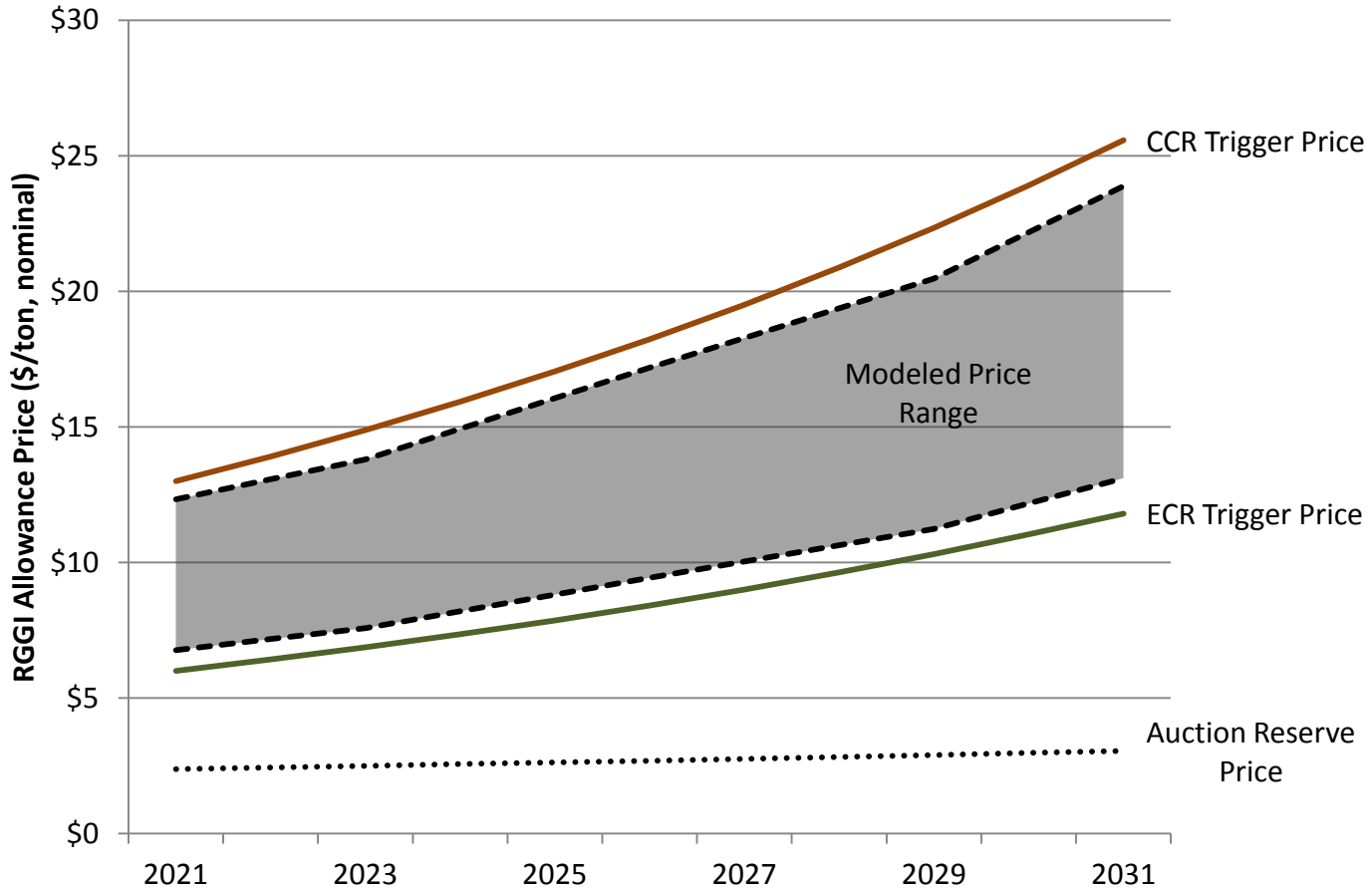


2017 Agreement: An Adaptive Cap





2017 Agreement: CCR and ECR Price Triggers





Questions

Chris Hoagland

Economist, Climate Change Division

Chris.hoagland@maryland.gov

410-537-3291



Supplementary Slides



How the ECR Works

The CCR is...

A reserve from which
allowances are
released

If prices are high

The ECR is...

A reserve into which
allowances are
diverted

If prices are low

Both act during the auction

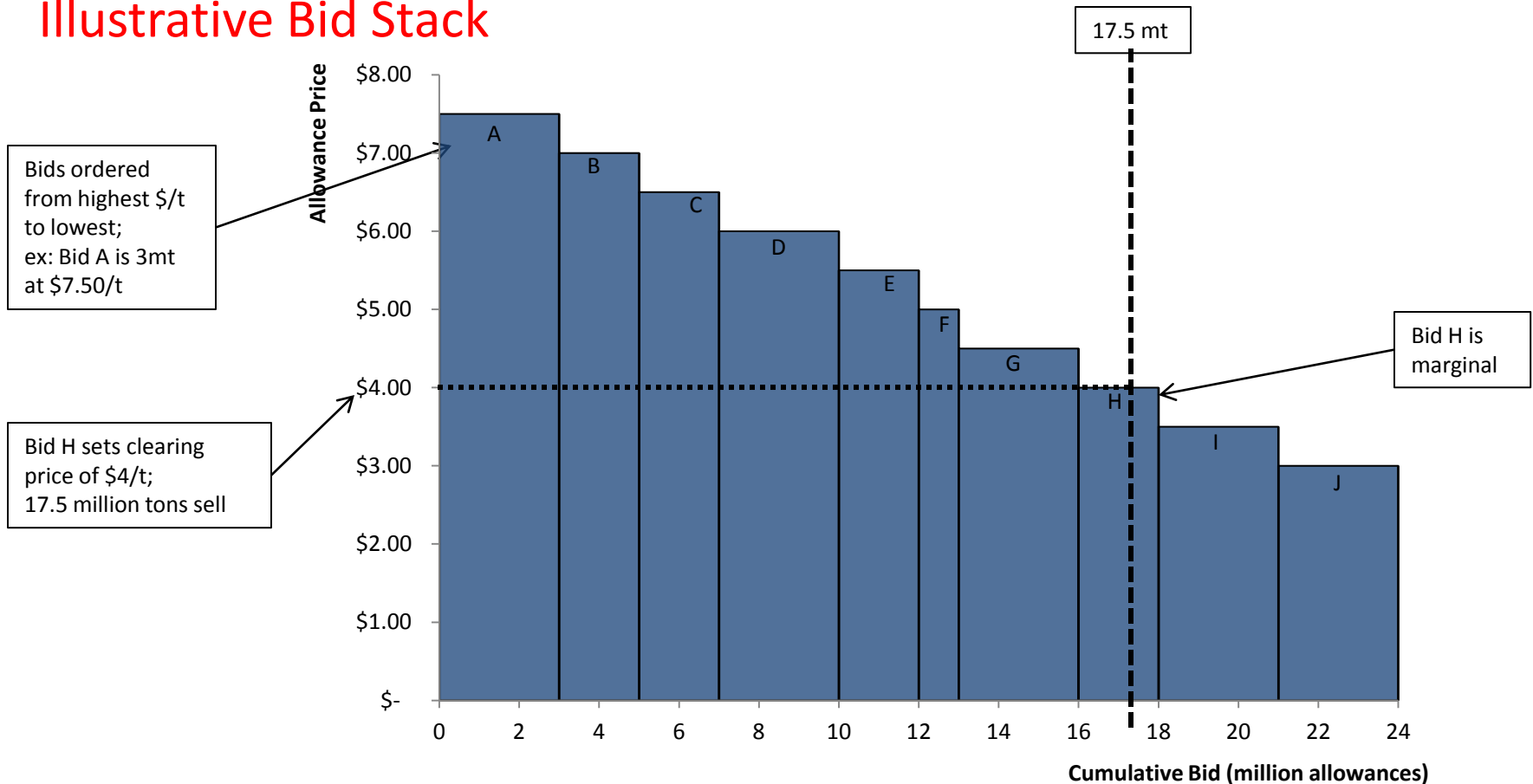


How the ECR Works

(Illustrative Example – No ECR)

Auction in 2021 of ~17.5 million tons (25 million ton bank adj.)

Illustrative Bid Stack





How the ECR Works

(Illustrative Example – ECR Triggers)

Auction in 2021 of ~17.5 million tons (25 million ton bank adj.)

Illustrative Bid Stack with 6.8 million ton ECR at \$6/t

