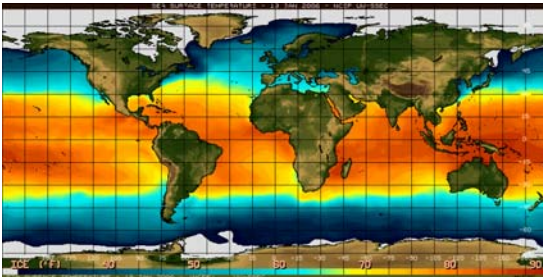


Regional Greenhouse Gas Initiative

MWAQC

February 22, 2006





What is RGGI?

- Regional Cap-and-Trade Program for Carbon Dioxide Emissions from Power Plants
- Cap in Emissions Applies to Region
- Each State Receives an Emissions Budget
- Companies Receive Allowances
- Companies Must Report Emissions Annually
- Companies Can Trade Allowances
- Companies Can Meet Cap by Purchasing Offsets



History

- New England Governors-Eastern Canadian Premiers (NEG/ECP) Climate Change Action Plan (August 2001).
- April 2003, New York Governor George E. Pataki invites Northeast states to participate.
- Initial Interest: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, Rhode Island, New York and Vermont.
- December 2005: 7 States Agree to Framework.
- Massachusetts and Rhode Island have not signed MOU.
- Observers: District of Columbia; Maryland; Pennsylvania; Eastern Canadian Provinces Secretariat; and Province of New Brunswick.





Timeline

- MOU signed December 2005
- Model Rule by March 20, 2006
- Program begins January 1, 2009
- 3-year Compliance Periods
- Cap at 121.3 million tons CO₂ through 2014 (~ 1990 levels)
- 10% Reduction of cap by 2018 (2.5%/yr starting in 2015)



Emissions Offsets

- Offsets up to 3.3% of reported emissions can be used for compliance.
- Offset Project Eligibility:
 - Landfill gas
 - Sulfur Hexafluoride (SF₆)
 - Energy Efficiency
 - Afforestation
 - Farming Operations
 - Natural Gas Transmission and Distribution





Emissions Offset Tiers

- $< \$7$ per ton: Offsets must be purchased in Northeast. (one for one)
- $> \$7$ /ton: Offsets can be purchased anywhere in North America. (one for two)
- If $> \$10$ /ton: Safety valve extends compliance period.

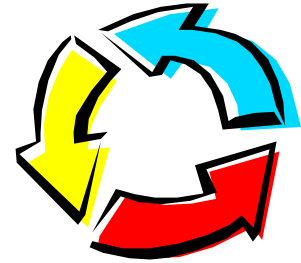


Allowances for Public Benefit

- Allowances Auction
- 25% of Allowances
- Revenue used for Energy Efficiency, Renewable Energy, Innovative Energy Technologies, or Consumer Rebates.



Pros and Cons



- For
 - Encourages Domestic Approach to Reducing CO₂ Emissions
 - May Spur Innovation
- Against
 - Cost to Industry and Consumers
 - Addresses only the Power Sector
 - Need for National and International Approach



Other Issues

- Expand Framework into Model Rule
- Expand RGGI to Include Other Sources of Greenhouse Gas Emission
- Merge with Northeast States for Coordinated Air Use Management (NESCAUM) Regional Greenhouse Gas Registry

