

The Regional Greenhouse Gas Initiative

Pete Grannis, Commissioner
NYS Department of Environmental Conservation

November 9, 2009

RGGI Introduction

The first mandatory, market-based system to reduce greenhouse gas emissions in the U.S.

- Power sector emissions capped at 2000-2002 levels from 2009-2014, reduced by 2.5% per year 2015-2018 for a total reduction of 10%
- Nearly all allowances distributed by auction, not free allocation
- Multi-year compliance period to buffer volatility in emissions
- Over 200 power plants regulated across 10 states

Milestones to a Regional CO₂ Market

- **2003:** Proposal from NY State to regional Governors for a regional cap and trade system
- **2005:** Memorandum of Understanding, committing states to use at least 25% of allowance proceeds for consumer benefit programs
- **2006:** Agreement on a Model Rule
- **2007:** Formation of regional administrative entity, RGGI, Inc.
- **2008:** 10 states pass implementing statutes and/or regs.
- **September, 2008:** States hold first CO₂ allowance auction
- **January, 2009:** Ten state regulatory programs go into effect

Auctions

RGGI shows that auctions are an effective way to allocate CO₂ allowances

- Five auctions held since September, 2008
- Over 100 bidders have participated
- Over 140 million allowances sold
- Allowances delivered to those who need them (77%+ sold to regulated entities)
- Established a robust secondary market, with trading volumes that match the Kyoto CDM market

Market Oversight: Monitoring

The RGGI states recognize the importance of market oversight in developing a CO₂ market

Market Oversight: The Market Monitor

- Observes auction qualification process, completes Auction Certification Report
- Tracks movement of allowances, investigates any conduct of concern, communicates with CFTC
- Issues a report on each auction, issues quarterly and annual reports on the secondary market
- Has consistently reported that RGGI auctions and CO₂ markets are operating in a fair and competitive fashion

Market Oversight: Reporting

Market oversight and reporting rules provide transparency and guard against manipulation

Market Oversight: The CO₂ Allowance Tracking System

- Tracks and reports: power sector CO₂ emissions, allowance transactions, offset applications and offset allowance awards
- Provides predictable and regular access to data by the public, increasing transparency and accountability
- Supports administration of program rules: 25% bid limit, reporting of corporate associations, compliance enforcement

Strategic Reinvestment in State Programs

Strategic reinvestment of allowance proceeds drives GHG reductions and builds a clean energy economy

- Over \$432 million in proceeds is being invested in a range of state programs to address the particular needs of each State
- Investments are leveraging the relationships States already have with local distribution companies and municipalities and other stakeholders
- Investments build upon what States know how to do: job creation and re-training, transportation, and land use

Offset Integrity

Category-specific approach ensures emissions reductions are real, additional, verifiable, enforceable, and permanent

- Compliance entities can use verified offsets to meet up to 3.3% of their compliance obligations
- Offset projects must qualify according to category-specific criteria in one of five categories:
 - Landfill methane capture
 - Agricultural methane capture
 - Conversion of land to forest
 - End-Use energy efficiency
 - SF₆ gas leak prevention in electricity distribution

Regional and Federal Partnerships

RGGI States look forward to an effective federal-state partnership

- RGGI, the West and the Midwest are working together, and with federal agencies such as EPA and CFTC, on a range of cap-and-trade program design and implementation issues
- The administrative capacity of RGGI state agencies and of RGGI, Inc. can be a resource to other regions and federal agencies as they implement cap and trade systems