



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

Creating a Multi-state CO₂ Cap and Trade Program for the Power Sector

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Overview of Presentation

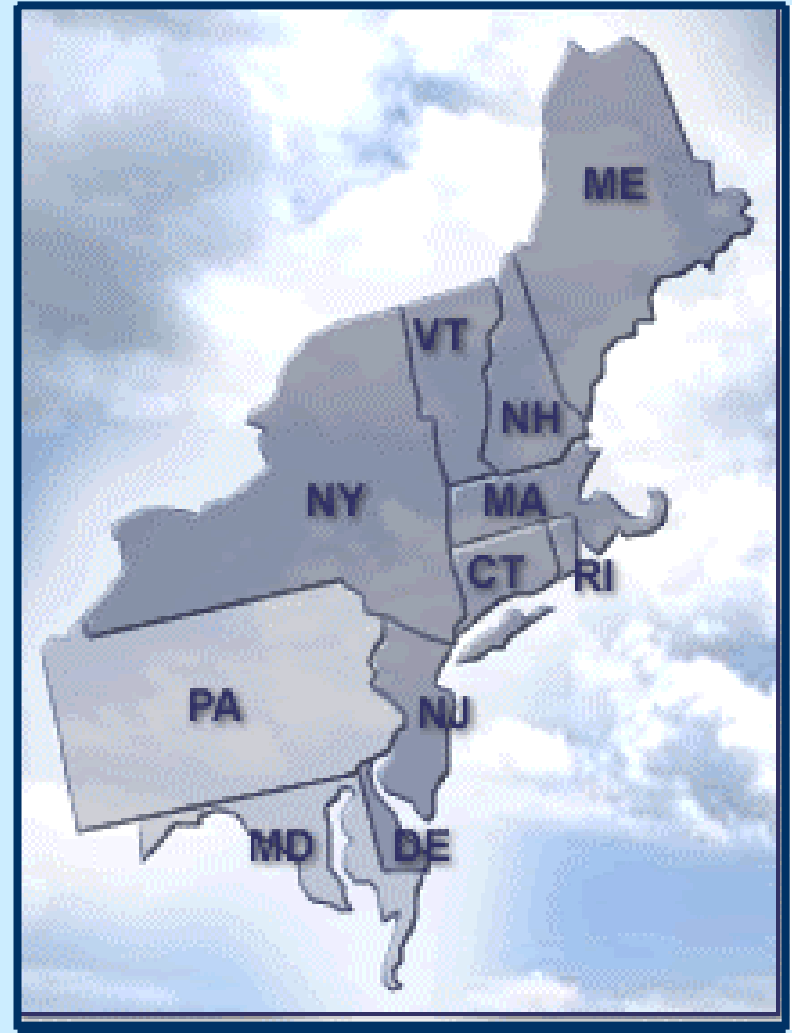
- Overview of the RGGI Process
- Status of the Work to Date
- Some Early observations
- Next Steps



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Goal

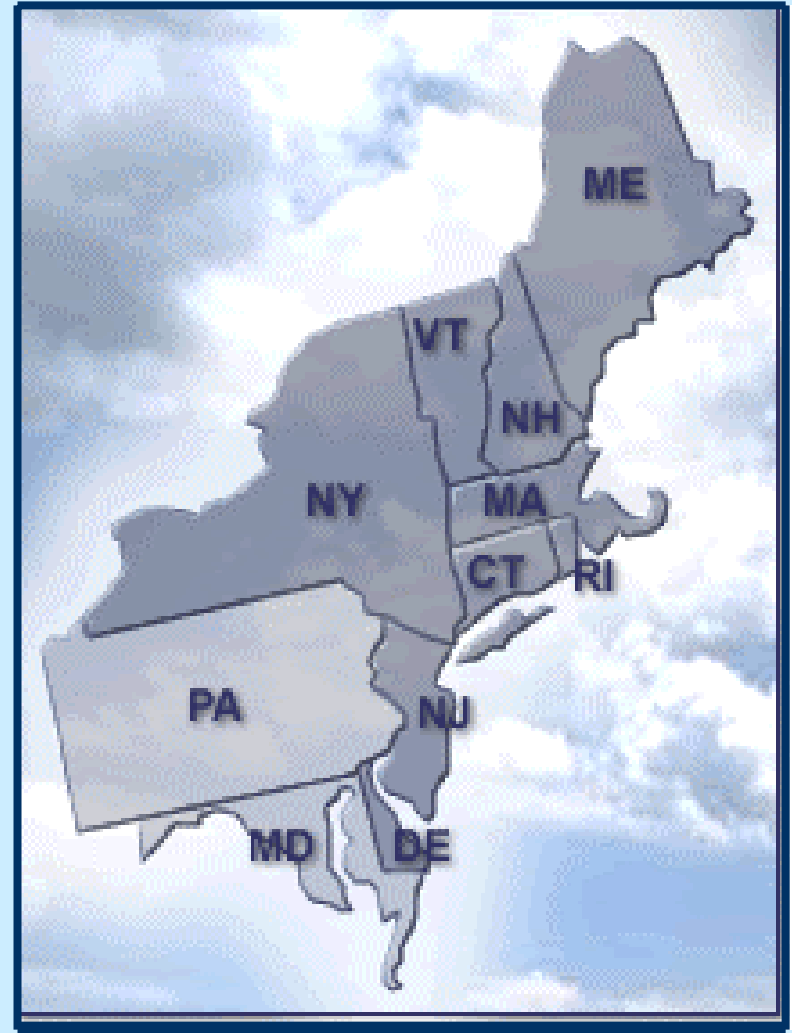
Design a Regional
Cap-and-Trade
Program Initially
Covering CO₂
Emissions from
Power Plants





Statistics

- 3rd Largest World Economy
- 14% of US GHG Emissions
- 3.2% of World GHG Emissions (≅ Germany)





Context: Early Movers

- History of Regional Cooperation on Air Quality - Ozone Transport Commission
- NJ First with Official Target
- New England Governors/ E. Canadian Premiers Plan (2001)
- NY Greenhouse Gas Task Force (2001)
- Now state plans in CT/MA/ME/RI



RGGI Progress to Date

- Stakeholder Process, Resource Panel
- Technical Groundwork: Data Assembly & Analysis, Energy & Economic Modeling
- Policy Consultation & Decision Making
 - Applicability
 - Internal Flexibility Mechanisms
 - Offset Credits (External to Cap)



Stakeholder Group

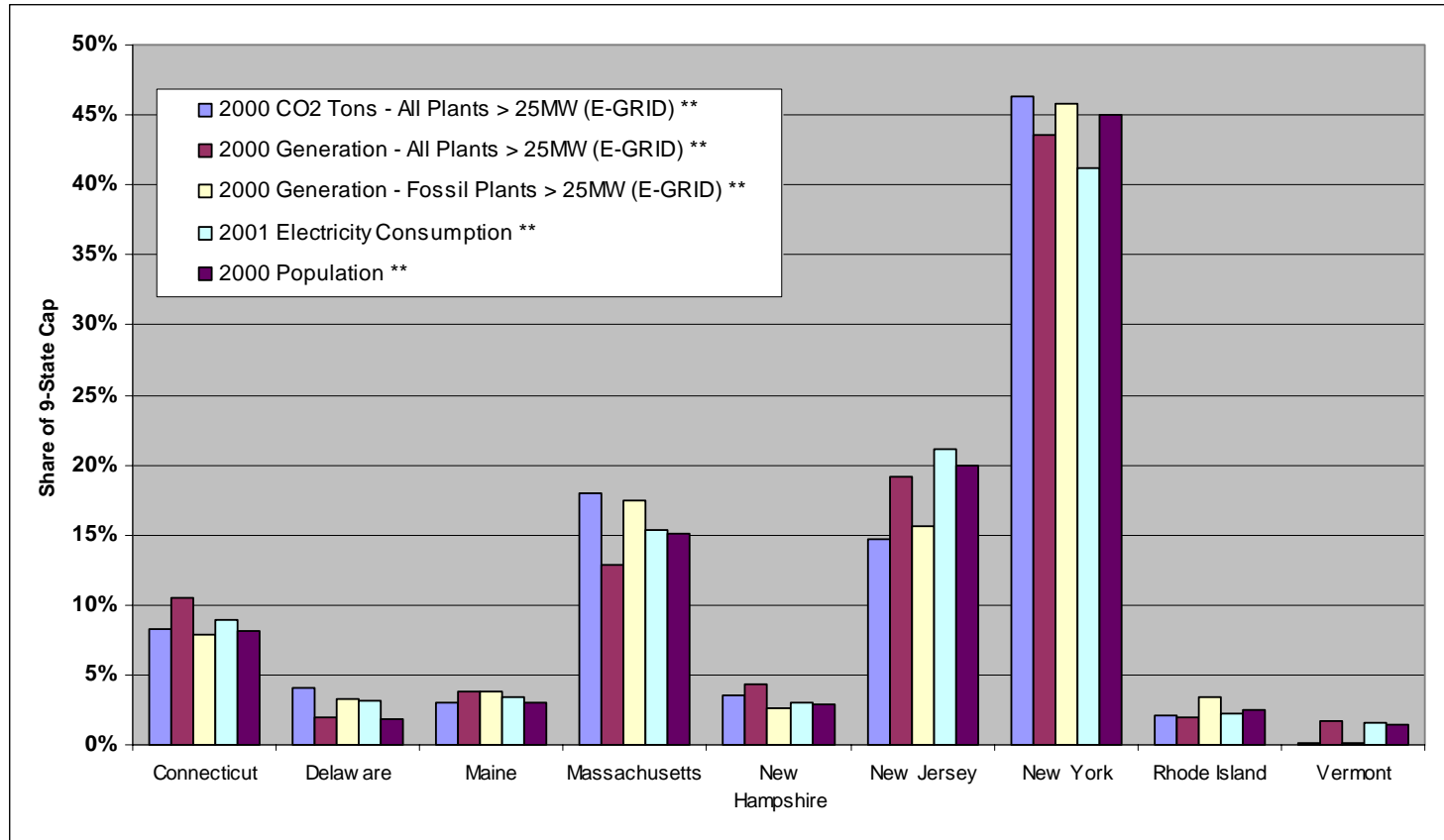
- Stakeholder Group Composition: 24 organizations/companies
 - Electric generators
 - Electricity distribution companies
 - Energy efficiency & renewable energy interests
 - Energy users
 - Consumer interest organizations
 - Environmental organizations



Resource Panel

- Electricity Markets and Delivery: New England, New York, PJM ISOs
- Research Organization: WRI, Pew, RFF
- Emissions Trading: Natsource
- Energy: Regulatory Assistance Project
- Air Quality: NESCAUM

Emissions Data by State





Modeling Analysis for a Regional Carbon Cap

- Carbon emissions
- Other emissions
- Electricity prices
- Total electricity system costs
- Fuel use and diversity
- Reliability
- Imports and exports of electricity

Key Issues

- Model Reference Case
- Consider factors in setting cap levels to model and, ultimately, to recommend
- Seek to minimize implementation costs
- Decide which reductions from external sources qualify for credit



Essential Components

- Adoption
- Stringency
- Simplicity of design: Inspire others to follow
- Enforcement



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RGGI Spring 2005

- Complete Modeling and Model Rule
- Determine Cap Size and Mechanics
- Determine State Emissions Budgets
- Plan State-by-State Implementation



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RGGI Future Goals

- Add States to Emissions Market
- Add Offset Categories Over Time
- Possible Expansion to Major Stationary Sources in Other Sectors

DEMONSTRATE SUCCESS

IPM[®] Analytic Framework

IPM[®] Modeling Structure

