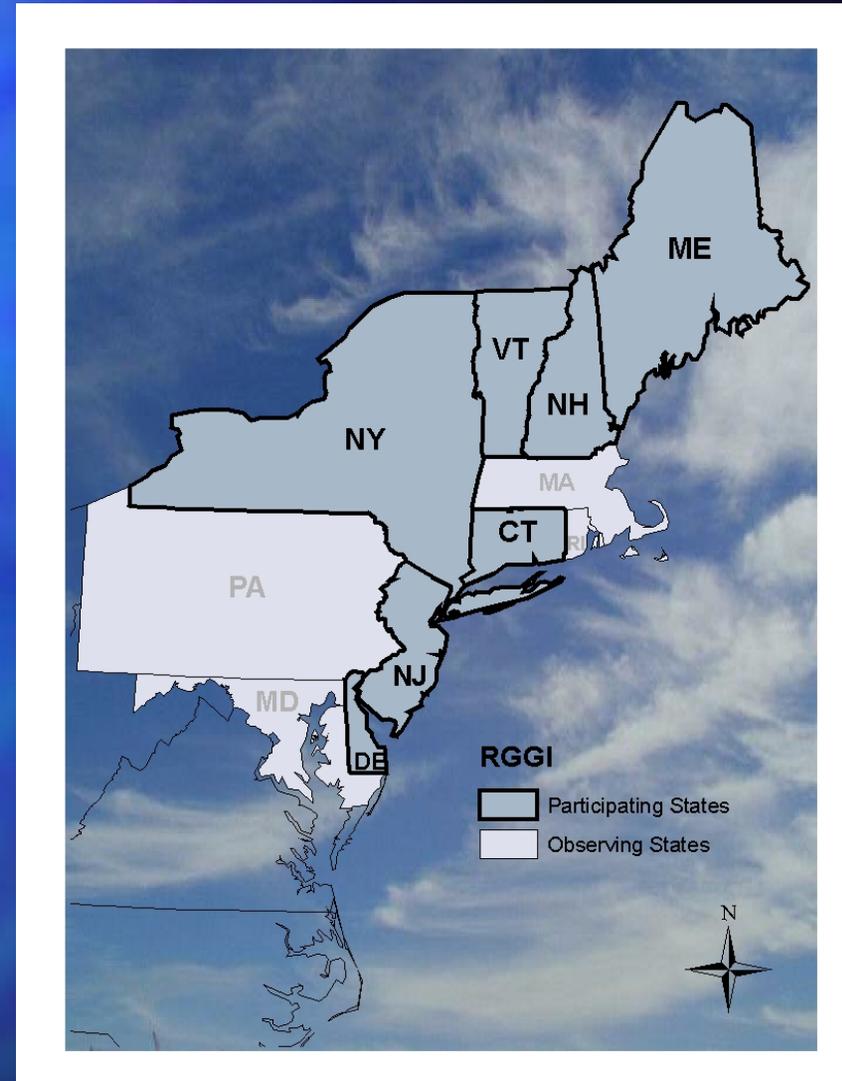


Regional Greenhouse Gas Initiative (RGGI)

Chris Nelson, CT DEP
CT Workgroup Meeting
Dec 14, 2006



CT Climate Change Regulatory Drivers



- NEG/ECP Climate Change Action Plan (2001)
- CT Stakeholder Process (2003) & Report (Jan 2004)
- CT Climate Change Action Plan (Jan 2005)
- Numerous Public Acts

CT Climate Change Action Plan



- Greenhouse Gas (GHG) Reduction Goals
 - 1990 GHG levels by 2010
 - 10% below 1990 levels by 2020
- Recommended 55 GHG reducing actions across all sectors
 - Transportation
 - **Electricity Generation**
 - Residential, Commercial & Industrial
 - Agriculture, Forestry & Waste Management

CT Action Plan – Electricity Sector



- Recommendations include increased support of energy efficiency (EE), renewable energy (RPS), voluntary clean energy purchase
- To achieve GHG reductions from Electricity Generating Units (EGUs), **a regional cap & trade program was recommended as the most efficient option.**
- CT joined RGGI discussions after invite from NY Gov to commence regional effort



RGGI MOU & Model Rule

- RGGI Memorandum of Understanding signed on Dec 20, 2005 by 7 of 9 states active in forming RGGI framework.
 - MD passed legislation which brings them into the program in 2007.
 - MA & RI have not yet signed, but Gov-Elect in MA expected to rejoin process.
- MOU is available online at http://www.rggi.org/docs/mou_final_12_20_05.pdf
- The Model Rule (released 08/15/06) and related materials are available at <http://www.rggi.org/modelrule.htm>



RGGI Basics

- A cap-and-trade program for CO₂
- Applies to all fossil fuel-fired electricity generating units (EGUs) with nameplate capacity of 25 MW or greater
- Program commences Jan 1, 2009
- Three-year compliance period
- GHG offsets can be used to cover a portion (3.3%) of a RGGI unit's compliance obligation.



Regional Emissions Cap

- Two-phase cap:
 - Stabilization at “current” levels for 2009-2014.
 - State budgets are reduced 2.5% per year 2015-2018.
- For the 7 signatory states, overall cap size is 121,253,550 tons.
 - The overall cap size will be adjusted if/when MD joins the program.

Offsets



- Standards approach – uses predefined protocols for approving offset projects
- **Initial offset categories:**
 - landfill methane capture & combustion
 - SF6 capture & recycling at electricity transmission facilities
 - sequestration through afforestation
 - fossil fuel end-use efficiency
 - methane capture from agricultural operations
- **Initial geographic location:**
 - Within the RGGI states, states with a comparable cap & trade program, states that sign an Offsets MOU
- Other categories to be considered in the future

Proposed Allocation of State Budgets



- Minimum 25% to be allocated for consumer benefit
- Remaining allowances (75% max) to be allocated pursuant to state-specific methodology
 - New source set-aside fund (if included) to be carved out of individual state budgets



Consumer Benefit Allocation

- From the RGGI MOU - Consumer benefit or strategic energy purposes include the use of allowances to:
 - promote energy efficiency
 - to directly mitigate electricity ratepayer impacts
 - to promote renewable or non-carbon-emitting energy technologies
 - to stimulate or reward investment in the development of innovative carbon emissions abatement technologies with significant carbon reduction potential
 - to fund administration of this Program

CT Implementation of Consumer Benefit Set-aside



- Should compliment existing in-state programs (CT Clean Energy Fund, CT Energy Efficiency Fund, Class I and Class III RPS requirements)
- Seek to develop a robust list of RE/EE projects (supply-side & demand-side) that might qualify for assistance from this set-aside derived revenue stream
- Develop objective criteria for project selection
- Evaluate best mechanisms for delivering support to projects (auction allowances to create funding pool?)

RGGI: Impacts



- Requirement for states to use allowances for “consumer benefit” can help mitigate modest price increases that may result from implementation of RGGI.
- Modeling results suggest an additional 1-2% increase in electricity prices in the region between now and 2015.
- Price Triggers at \$7 & \$10 levels provide price relief measures (greater % of offsets allowed and broader geographic scope of offsets) if needed.



Leakage

- Draft Leakage Report expected to go to Agency Heads for their review in Dec 2006
- Report to be released to stakeholders in Jan 2007
- RGGI Rule itself will not contain provisions to address leakage. Complementary regulation/legislation would be needed.



Next Steps

- CT RGGI rule to be adapted from the regional model rule.
- Establish workgroup to discuss model rule. In particular, focused discussion on the following topics to help inform policy would be constructive:
 - Size (%) and uses of consumer benefit set-aside
 - Allocation methodology
 - New source set-aside
- RGGI SWG to evaluate regional auction options for making consumer benefit allowances available



Next Steps (cont.)

- Additional opportunity for input before formal rulemaking
 - Additional informational meetings scheduled for Feb 15 & April 12, 2007
- DEP tentatively to release first draft in March 2007
- Goal is to finalize RGGI rulemaking by Dec 2007



QUESTIONS?